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Project Report

South Hayward BART Area Market Analysis

Prepared for

Hall Alminana, Inc., San Francisco, CA
City of Hayward

Submitted by

Economics Research Associates, an AECOM company (ERA)

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ERA Project No. 18355

388 Market Street Suite 1580
San Francisco, CA 94111
415.956.8152 FAX 415.956.5274 www.era.aecom.com

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I. Introduction and Executive Summary

Introduction

In June of 2006, The City of Hayward adopted the South Hayward BART/Mission Boulevard Concept Design Plan (CDP). Through this CDP, Hayward seeks to plan and provide guidance for opportunities that will lead to transit-oriented development around the South Hayward BART Station and along Mission Boulevard (State Route 238) corridor. The Plan envisions a transit village around the BART station and an enhanced mixed use corridor along Mission Boulevard.

With the new Concept Design Plan in place, the City of Hayward is now seeking to refine the zoning regulations for properties within the Project Area. Hall Alminana Inc. has been retained to develop a Form-Based Code which will integrate the concept, vision and design guidelines of the 2006 Concept Design Plan with zoning regulations, subdivision standards, and design standards. The Form Based Codes will provide clear guidance on what development will ultimately look like.

Hall Alminana Inc. in turn retained ERA to provide an overview of the demographic and socioeconomic trends of the area as well as an analysis of the residential and retail markets. This analysis seeks to inform the development of the Form Based Code. ERA's findings are summarized below.

Section II presents a description of the project and the Project Area. Section III reviews demographic and socioeconomic trends. The analysis of the retail market is presented in Section IV. The residential market is analyzed in Section V followed by a review of comparable land sales in Section VI.

Demographic Characteristics

For analysis purposes ERA focused on the Primary Market Area (PMA), which is bounded by the railroad tracks on the west, the Hayward Hills to the east, Harder Road on the north and Whipple Road to the south. As of 2008 there were approximately 23,000 residents within the PMA, which accounts for 16 percent of total Hayward's residents.[1] The PMA has experienced robust population growth since 1990; surpassing the rate of growth of both the City and County. Growth slowed down since 2000, but the PMA has continued growing faster than the rest of the city and county.

The PMA is ethnically diverse with Hispanics accounting for 40 percent of the population. The numbers of ethnic minorities has been increasing since 1990 while the number of white residents has

[1] Demographic data are from the California Department of Finance, ESRI Business Analyst and U.S.

been steadily declining. Average Household income is higher ($89,000) than the citywide average ($81,000); however, there is great variability of incomes within the PMA.

Despite their proximity to the South Hayward BART station, PMA residents tend to be dependent on their car. PMA households have on average 2 vehicles per household compared to 1.8 citywide and 1.7 countywide. The majority of workers in the PMA get to work by car (67.7 percent drive alone to work compared to 66.4 percent countywide). Only 8.3 of PMA residents get to work by public transportation.

Population growth and rising income levels highlight the marketability of the area as a housing location. The diversity of the area along with the continued fast growth of the Latino and Asian populations, as well as the high homeownership rate, large household size, and overall strong middle-class character of the area present new retail market opportunities.

Residential Market Summary

The burst of the housing bubble has inflicted great pain on developers, and scared lenders and investors. ERA expects that the housing market will continue to be sluggish over the next couple of years. Nevertheless, from a long run perspective, the Bay Area's housing development has not been able to keep pace with demand arising from population growth. As ABAG points out, even during the 1999 to 2006 period, when housing was being built at an unprecedented speed, only 92 percent of the housing units ABAG determined were needed in the region were constructed. Housing permits in Alameda County during this period only accounted for 72 percent of the projected demand.

The housing recovery is likely to begin in places that have been typically undersupplied and where price declines have not been as dramatic. The inner parts of the Bay Area, such as Alameda County, are the prime candidates to lead the recovery. In the long run, demand will once again be determined by the traditional factors of limited land, job growth, high income, and terrific quality of life. All of these factors favor the Project Area.

Proximity to the BART station also presents an excellent opportunity for apartment building construction. With average rents below $1,200, the area remains relatively affordable compared to other areas of the county and it attracts modes-income households. Probably due to the affordability of the area, occupancy remains higher than other markets within Alameda County, such as Union City, Fremont, Newark, Berkeley, Emeryville and Albany. Most of the apartment buildings in the area offer amenities such as swimming pools, spas, clubhouses, and fitness center. Higher end product

Census.

recently built close to BART stations in Union City and Downtown Hayward offers even more and higher quality amenities. In order to be competitive, new market rate developments will most likely have to offer similar amenities.

ERA projects demand for approximately 8,900 new residential units in the City of Hayward between 2010 and 2030. Of this total, about 5,700 will be single-family units, and another 3,170 units will be multi-family units. ERA estimates that the PMA could support demand for between 1,300 and 1,600 market rate residential units over this 20-year period, nearly all of which will be multi family units. In addition, the City will likely encourage the use of public and non-profit agency resources to add new below market housing into this area. Including below market housing, this PMA would experience the construction of 2,000 multi-family units over the next two decades.

Retail Market Summary

Hayward retail sector has experienced significant growth since 2000. The city has added approximately 800,000 square feet of new retail space in the past eight years and occupied retail space has grown approximately seven to nine percent since the year 2000, compared to five percent growth countywide.

Within the Project Area, the retail sector is performing well relative to the rest of the city. Vacancies are relatively low but so are asking rents. Average rents per square foot are approximately $5 lower than the county average fluctuating between $20 and $30 per square foot. An auto dealership for example may command rents of $8-$13 per square foot, while a neighborhood center such as Mission Plaza and Fairway Park may command between $27 and $35 per square foot. Older shopping centers in the area command rents between $20 and $27 per square foot.

Overall, the retail sector within the Project Area has not kept up with the rest of the city. Despite robust growth in population and incomes, the presence of the BART station and the high number of Mission Boulevard commuters, practically no new retail space (only 2.8 percent growth) has been built since the year 2000 and occupied space has in fact declined.

The City of Hayward has been addressing the challenges of weak retail demand in the Project Area. The adoption of the concept design plan, which will encourage higher density residential development, will help to expand the customer base that is necessary to support additional retail in the area. The development of the Wittek-Montana-Eden BART Village, which is underway, will be the catalytic investment to change the market perception of this area. The planned streetscape improvements along Mission Boulevard, will further improve the attractiveness of the area for retail and will increase the connectivity to surrounding neighborhoods. In general, the parcels on the west

side of Mission are better suited for retail development, as development on the east side is limited by the topography of the site. The intersections of Mission Boulevard and Harder Road, Tennyson Road, and Industrial Parkway, represent excellent opportunities for retail as these road arteries are the main linkages to the surrounding neighborhoods.

Based on our analysis of the retail markets, we projected demand for retail space with the Project Area for near and medium term (2010 to 2020) and long term (2020 to 2030). Our analysis indicates that Hayward is able to support approximately an additional 500,000 square feet of retail space in the short term through 2020. In the long term (2020 to 2030), Hayward can support an additional 686,000 square feet of new retail space. Overall, the city of Hayward's retail demand analysis shows potential for approximately 1.19 million square feet of retail over the next 20 years. This would represent an increase of approximately 16 percent over the existing supply of retail space.

Given projected population and income growth in the primary market area, ERA estimates that the Project Area could capture approximately 14 to 17 percent of total citywide retail demand over the next two decades. From 2010 to 2030, ERA's demand analysis shows potential for approximately 170,000 to 205,000 square feet of retail and restaurants, with the majority (60 percent) of that demand materializing over the 2020-2030 period.

II. Project Description

The Form Based Code Project Area (Project Area) consist of approximately 240 acres of land (including streets) and is bordered by the BART tracks on the west (excluding the residential neighborhoods along and west of East 12th Street and also north of Sorenson Road), Industrial Parkway on the south (including the triangular area on the south side), Harder Road on the north, and Mission Boulevard on the east, including properties along the east side of Mission Boulevard between Garin Avenue and Calhoun Street. The South Hayward BART station is located approximately midpoint within the Project Area at Tennyson Road and Dixon Street by the BART tracks. See **Figure II-1**.

A majority of the Project Area has been developed for a mix of retail uses, including but not limited to auto sales, service and repair uses, restaurants, offices and general retail. The now closed Holiday Bowl bowling alley on the southwest corner of Mission Boulevard and Industrial Parkway and the K-Mart Site on the southwest corner of Mission Boulevard and Harder Road are two of the largest uses within the area and serve as gateways to the Project Area. Other portions of the Project Area are vacant, with some of these parcels owned by the State of California. Approximately 988 residences exist within the Project Area that would be directly impacted by the project. Topography of the Project Area is generally flat, with a gradual slope to the west, towards San Francisco Bay.

Land uses surrounding the Project Area include single-family residential neighborhoods and a small industrial area to the west across the BART tracks, Hayward's Auto Row to the north, Mission Hills of Hayward Golf Course and the Twin Bridges neighborhood to the south, and a variety of land uses to the east bordering the foothills (cemetery, private schools, quarry, multifamily complexes and single-family subdivisions).

In June of 2006, The City of Hayward adopted the South Hayward BART/Mission Boulevard Concept Design Plan (CDP). Through this CDP, Hayward seeks to plan and provide guidance for opportunities that will lead to transit-oriented development around the South Hayward BART Station and along Mission Boulevard (State Route 238) corridor. The Plan envisions a transit village around the BART station and an enhanced mixed use corridor along Mission Boulevard.

Under the new CDP, the area is defined by following residential or mixed use zoning designations:

- *"Station Area Residential* "allows for the highest density in the area and applies to properties in closest proximity to the South Hayward BART Station, allowing 75 to 100 units per acre with retail or neighborhood serving uses on at least 50% of the ground

floor. Over three-fourths of the nearly 15 acres with this designation is owned by BART and consists primarily of surface parking lots, where new parking facilities integrated with the residential/mixed use development is proposed. Also, a reconfigured bus transfer facility is envisioned as a new transit plaza on the BART property in front of the station.

In March 2009, the city changed the designation of the Station Area Residential. It is now designed as Planned Development to accommodate the Wittek-Montana-Eden project which is described in more detail below. This mixed-use project will create 788 residential units, including 206 affordable units, as well as approximately 60,000 square feet of new retail.

- *"Mission Boulevard Residential"* designation allows residential development of 35 to 55 units per acre. This type of development will concentrate on the western side of Mission Boulevard between Jefferson St. and Tennyson Rd. and near Industrial Pkwy.

- *"High Density Residential"* allows between 17 and 35 units per acre. This designation is used on the portion of the Project Area located between the current Kmart site and Jefferson Street and on the lots located on the eastern side of Mission Boulevard. Tennyson Road will be extended eastward into the foothills to serve new single-family residential developments that will be constructed in the near future.

- At key intersection locations throughout the Plan area, a mixed use zoning designation of "Neighborhood Commercial-Residential" provides for residential uses at 27 to 55 units per acre over required ground floor retail or service uses.

- *"Commercial"* and *"Mixed Use"* encourage a combination of neighborhood and regional serving commercial uses at key intersections including Industrial Boulevard, Valle Vista Avenue, Tennyson Road, and Harder Road.

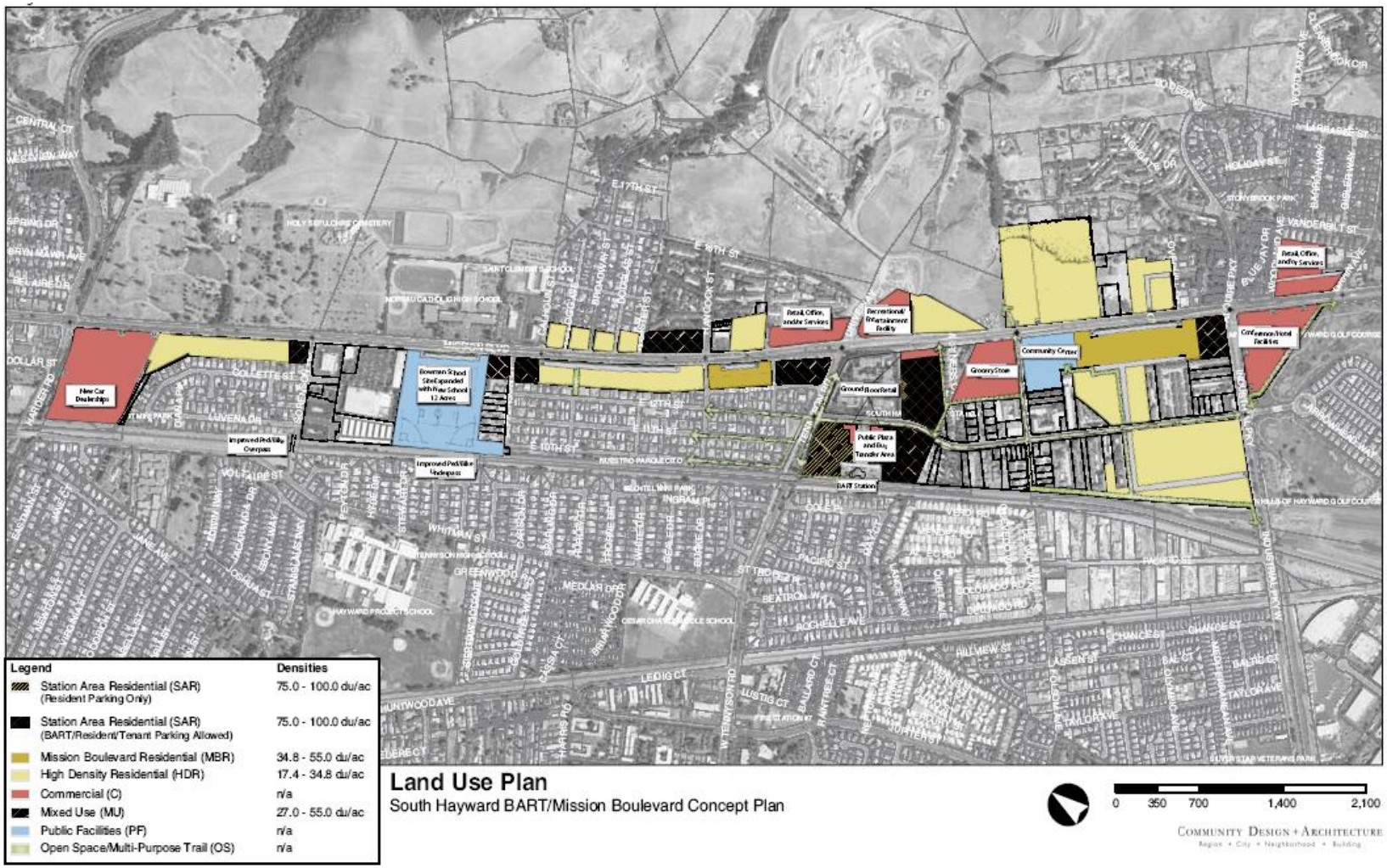
- Nearly seven acres owned by the City and State at the southwest corner of Mission Boulevard and Valle Vista Avenue are now designated as "Open Space" as a result of the 238 Bypass Land Use Study that was completed in June of 2009, and is envisioned for future development of a park and community center, to further promote transit oriented development.

The adopted Land Use Plan is detailed in Figure II-1. In summary, the Plan envisions development potential of over 3,200 additional residential units in the area, with potential for over 1,000 units in the

"Station Area Residential" district around the BART station. This will enable the City to accommodate the projected population growth. ABAG, for example, projects an additional 2,807 new households in the South Hayward BART area between 2010 and 2030.

With the new Concept Design Plan in place, the City of Hayward is now seeking to refine the zoning rules for properties within the Project Area. Hall Alminana Incorporated will develop a Form-Based Code which will integrate the concept, vision and design guidelines of the 2006 Concept Design Plan with zoning regulations, subdivision standards, and design standards. The Form Based Code, informed by this market analysis, will provide clear guidance on what development will ultimately look like.

Figure II-1 South Hayward/Mission Boulevard Concept Plan



Source: Community Design + Architecture, Inc.

III. Demographic and Socioeconomic Overview

The current socioeconomic and demographic composition of the City of Hayward is largely a reflection of the past real estate development patterns of the region. Hayward's single-family boom of the 1950s and the boom in multifamily housing production of the 1960s, 70's, and 80's created a supply of real estate, which provided affordable housing opportunities for the workers that were attracted to the area by the surge in industrial development as well as for people working in San Francisco, Oakland, and Silicon Valley. More recent development, such as the revitalization of downtown with higher density housing and retail in transit oriented development within walking distance of Downtown Hayward's BART station, as well as the Cannery Design Plan, will provide new housing opportunities for households looking for a more urban experience. These new projects will be an essential component of the new Hayward as it evolves from a suburban bedroom community into a more urbanized older city.

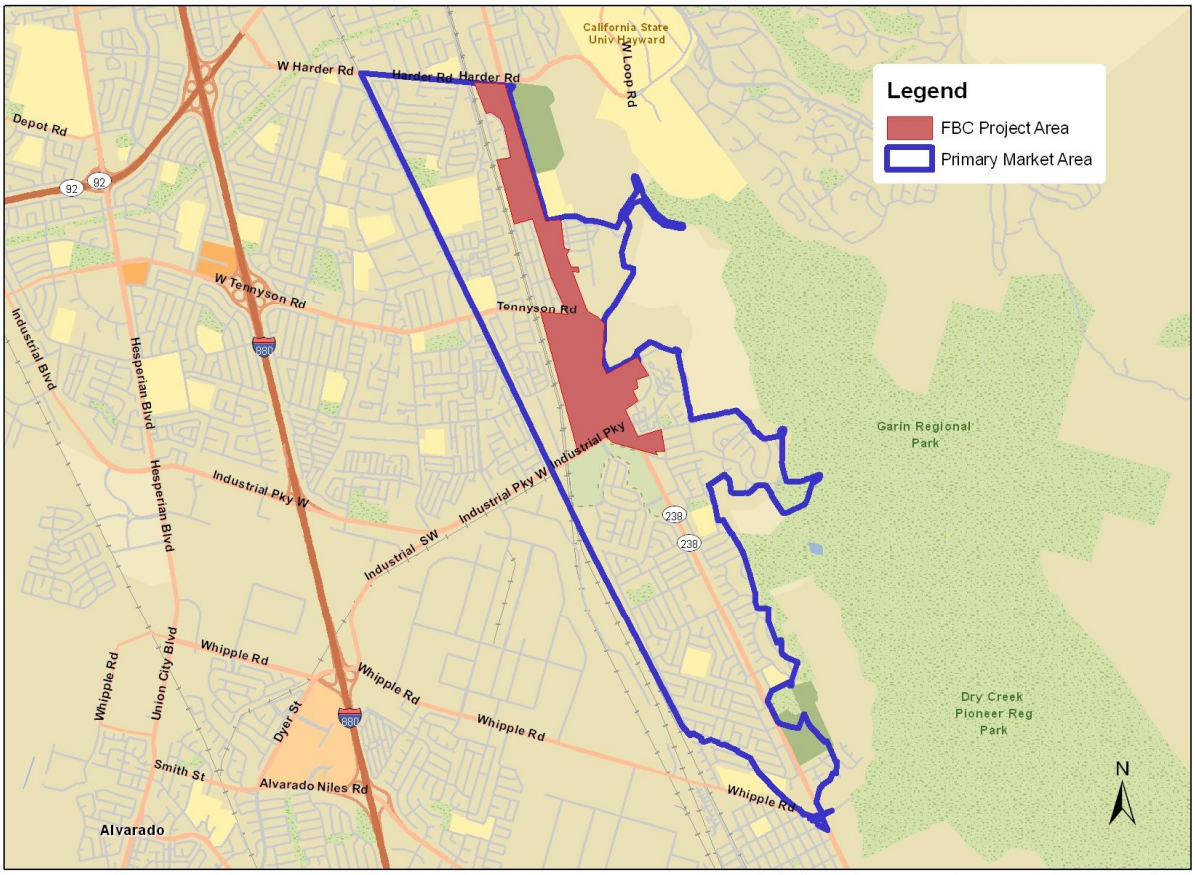
With key infrastructure, which includes a BART station and a main thoroughfare connecting southern and northern Alameda County, the Project Area will play a key role in the transformation of the City. In this section, ERA examines the socioeconomic context of the area to have a better understanding of how those factors may affect future development in the City of Hayward. ERA focused on the Primary Market Area (PMA), which is based on a likely trade area for neighborhood serving retail and also characterizes the housing market. See **Figure III-1**.

ERA presents an overview of demographic characteristics in the region including historical population trends, race, households, income, as well as short- and long-term population projections. A review of economic trends with an emphasis on jobs and employment is also presented. This socioeconomic analysis informs the market analysis for residential and commercial real estate.

Population Trends

As of 2008, there were approximately 23,000 residents within the PMA. This accounts for approximately 16 percent of Hayward's 146,700 residents. The PMA has experienced robust population growth since 1990. Population in the PMA grew by more than 4,200 (23.8 percent) residents between 1990 and 2000, and an additional 1,250, or 5.7 percent between 2000 and 2008. By comparison, the City of Hayward as a whole grew by approximately 25,200 (22 percent) between 1990 and 2000, and an additional 6,600 (4.8 percent) between 2000 and 2008. Alameda County, by comparison, grew 12.9 percent between 1990 and 2000, and 4.1 percent between 2010.

Figure III-1 South Hayward BART/Mission Boulevard Project Area and Primary Market Area



Source: ERA

Age

Population distribution by age in the PMA largely mirrors that of the City of Hayward. The PMA and the City have slightly higher proportion of children ages 14 or younger (22 percent) and a lower proportion of adults ages 45 and over (32 percent) compared with Alameda County (20 and 36 percent respectively). However, since 2000, the proportion of adults 45-64 years old has been increasing and the proportion of children 14 and younger has been relatively stable. The City and PMA's senior population (65 and over) also differ from the countywide patterns. Within the city and PMA, that segment of the population experienced robust growth during the 1990s, however, since the year 2000 their numbers have been decreasing, while countywide their numbers have continued to grow at a steady pace.

Racial and Ethnic Diversity

The racial and ethnic composition of residents in the PMA also mirrors that of the city. The population of the PMA is extremely diverse with non-whites accounting for more than 60 percent of the

population. This is due to tremendous growth of the Hispanic, Asian, and Pacific Islander during the 1990s. In 2008, nearly 40 percent of the PMA and the City's population are of Hispanic origin compared to 22 percent countywide. Since the year 2000, however, while growth of the Asian, Pacific Islander and Hispanic population has remained strong it is not as high as what is observed in the rest of the county.

Income

PMA households earn an average of $89,000 which is higher than the City ($81,000) but lower than the county ($102,000). Since 1990 real incomes in the PMA have grown faster than those in the rest of the City. Between 1990 and 2000, average real income rose by 10.9 percent in the PMA compared to 9.3 percent citywide. During the same period, however, average household income rose almost 16 percent countywide. Nevertheless, income levels for the PMA tend to be more middle income relative to Alameda County, which has great numbers of households at both income extremes.

Also, while on average incomes appear to be higher in the PMA than the rest of the City, **Figure III-2** demonstrates that there is great variability of incomes within the PMA. While almost 50 percent of households in the area earn more than $75,000 annually, the majority of those households live south of Industrial Boulevard or in the northwest portion of the trade area. Meanwhile the area around the intersection of Mission and Tennyson has a concentration of lower income households.

Two developments with approximately 205 single-family units at Garin Vista and La Vista will cater to higher end household income families. These projects, which are anticipated to be built in the near to mid-term east of Mission Boulevard will introduce higher incomes to the area thereby raising the average income for the trade area even further.

Household Characteristics

In 2008 there were approximately 7,361 households in the PMA with the following characteristics:

- Average size of 3.15 persons. Countywide, average household size was 2.74. Following significant increases in the 1990s (from 2.77 in 1990 to 3.09 in 2000), household size has held relatively steady since 2000 and is projected to remain at approximately 3.16 through 2013

- Approximately 74 percent of PMA households are family households.[2] This is a higher percentage of families than the City as a whole (72 percent) and Alameda County (64 percent).

- 60 percent of households are homeowners compared to 54 percent in the City of Hayward and 54 percent countywide.

- Less than 19 percent of PMA households consist of single households (1 person) compared to 26 countywide. The PMA and the City also have a lower proportion of couples (27 percent) compared to the County (30 percent). The largest portion of households is 3-5 persons (44 percent) compared to 38 percent countywide. The PMA also has a large portion (ten percent) of large households (6+ persons) compared to the county (6 percent).

Employment

Hayward has an average rate of participation in the labor force with 1.4 employed residents per household. Since the year 2000, according to the U.S. Bureau of Labor Statistics, the size of Hayward's labor force has remained relatively stable at approximately 70,000. The labor force within the PMA has the following characteristics:

- Compared to the rest of the county the PMA and the City have a lower share of resident employed in white-collar jobs. Almost 58 percent of the PMA employed residents are occupied in white-collar jobs primarily in professional occupations and administrative support.[3] By comparison, countywide almost 70 percent of employed residents are employed in white-collar occupations. Approximately 30 percent of the PMA employed residents work in blue collar occupations, such as construction, manufacturing, and transportation. The high proportion of blue collar workers is probably due to the educational attainment of the population.

- Educational attainment of the population in the PMA does not differ significantly from that of the residents of the City of Hayward. However, in comparison to county residents, PMA residents have lower education levels. Only 16 percent of adults 25 and older have a bachelor's degree or advanced degrees compared to nearly 24 percent countywide. The share of residents 25 and older with advanced degrees is almost twice as high in the county

[2] Household is any person(s) living in a single housing unit; a family is defined as relatives living in a single housing unit.
[3] White collar occupations include management, professional, sales, administrative support and services.

(almost 16 percent) than the PMA (8.2 percent). Nearly 50 percent of PMA residents only have a high school degree or lower compared to 35 percent countywide.

The unemployment rate has followed the overall trends of the regional economy, but has generally remained higher than the rest of the county throughout much of the past decade. Since the year 2000, the unemployment rate in Hayward has averaged six percent. Since mid-2008, due to the worldwide economic crisis, the unemployment rate has risen well above its medium-term average skyrocketing to 12.6 percent by May 2009. The increase in unemployment has been experienced by neighboring cities, the rest of the county, and the state. Beacon Economics forecasts statewide unemployment to peak at 12 near the end of 2010 before it begins to decline until it returns to its long term average in the second quarter of 2013.

Jobs

Jobs-housing balance is a major planning and public policy issue and is widely accepted as a solution for traffic congestion and air pollution problems. However, there is no consensus on what job-housing balance means and whether a jobs-housing balance has an effect on congestion and pollution. Nevertheless, the California Department of Finance considers a 1.5 jobs-to-housing ratio to be healthy because there are approximately 1.5 workers per household in California.

The Association of Bay Area Government (ABAG) estimates that by 2010 there will be nearly 71,050 jobs in the City of Hayward. This means that there will be 1.5 jobs per household. Hayward has been relatively successful at attaining jobs-housing balance partly by attracting industry and businesses to the city over the past two decades. Between 2010 and 2020, Hayward is projected to add approximately 7,20 new jobs thereby maintaining a balance between jobs and employed residents/households. More than 25 percent of those jobs will be in the financial and professional service industries. Health, educational and recreational industries are expected to add approximately 1,400 new jobs to the local economy.

Car Ownership and Transportation to Work

One of the criticisms of using such broad measure as the ratio of jobs-to-employed residents is that unless the jobs available correspond to the types of work done by employed residents, then residents must continue to commute elsewhere. This appears to be the case in the City of Hayward. According to U.S. Census data, despite accessibility to BART, PMA residents have on average 2 vehicles per household compared to 1.8 citywide and 1.7 countywide. The majority (68 percent) of PMA workers get to work by car driving alone. Only 8.3 percent of workers use public transportation. This is a higher share than the rest of the city, but lower than the county as a whole. Most workers (almost 60

percent) commute to jobs 25 minutes or further, compared to approximately 50 percent of workers countywide.

BART Ridership

Despite a 13 percent increase, the South Hayward BART station is one of the lowest ridership stations in the BART system. With an average ridership in fiscal year 2008 of 3,076, the station ranks 38 out of 49. Approximately 2,689 (81 percent) of those riders are coming from home with the majority headed for work (82 percent of home origins).[4]

South Hayward BART riders also depend more on their automobile to get to the station. Approximately 58 percent of home origins riders arrive to the station by driving and an additional 15 percent are dropped off. Only twelve percent walk from home. Most of those who walk to the station live within a half a mile of the station. By comparison, the Hayward BART station has average weekday ridership of 4,921. Approximately 62 percent of those riders are coming from home. Of those, only 49 percent drive alone and twelve percent are dropped off. Approximately 22 percent of people coming from home walk to the station.

Demographic and Socioeconomic Summary

As of 2008 there were approximately 23,000 residents within the PMA, which accounts for 16 percent of total Hayward's residents. The PMA has experienced robust population growth since 1990; surpassing the rate of growth of both the City and County. Growth slowed down since 2000, but the PMA has continued growing faster than the rest of the city and county.

The PMA is ethnically divers with Hispanics accounting for 40 percent of the population. The numbers of ethnic minorities has been increasing since 1990 while the number of white residents has been steadily declining.

Average Household income is higher ($89,000) than the citywide average ($81,000), however, there is great variability of incomes within the PMA. Households closer to the BART station tend to have lower incomes than households south of Industrial Parkway or those in the northwest portion of the PMA. PMA incomes have been increasing faster than the rest of the city, but not as fast as the rest of the county.

[4] 'Home origins' are all trip starting from home as opposed to 'non-home origins' which are trips starting from locations other than home, such as work, school, shopping, etc.

There is a slightly higher representation of children than in the County and lower representation of adults (45-64 years old). The number of senior residents in the area has been decreasing since the year 2000.

Within the PMA there are a higher proportion of family households (72 percent) than in the county (64 percent). Households also tend to be larger 3.15 persons vs. 2.74 countywide. There are also relatively few single- and couple-households. Households with more than 3 persons make up 54 percent of the PMA households. Most households own the home they live in (60 percent).

Most employed residents in the PMA are employed in white-collar jobs (58 percent). However, countywide 70 percent of employed residents hold white-collar jobs.

The educational attainment of the PMA population is similar to the comparable to the city's population but lower than the county's. A lower proportion of PMA residents 25 years or older have bachelor's or advanced degrees (16 percent) than county residents (24 percent). Nearly 50 percent of the PMA population 25 years or older have a high-school degree or lower.

Despite their proximity to the South Hayward BART station, PMA residents tend to be dependent on their car. PMA households have on average 2 vehicles per household compared to 1.8 citywide and 1.7 countywide. The majority of workers in the PMA get to work by car (67.7 percent drive alone to work compared to 66.4 percent countywide). Only 8.3 of PMA residents get to work by public transportation. While this proportion is higher than the rest of the city (6.6 percent), it is below the county's average (10.6 percent). Also approximately 58 percent of those who use BART arrive to the station by automobile (compared to 49 percent of Hayward station users).

The demographic and socio-economic characteristics of the PMA highlight the area's potential for residential and retail development. Population growth and rising income levels highlight the marketability of the area as a housing location and present new retail market opportunities. The diversity of the area along with the continued fast growth of the Latino and Asian populations, as well as the high homeownership rate, large household size, and overall strong middle-class character of the area present new retail market opportunities.

Table III-1 Population and Household Trends for Primary Market Area, Hayward, and Alameda County: 1990-2013

	1990	2000	2008	2013	Change 1990-2000 #	Change 1990-2000 %	Change 2000-2008 #	Change 2000-2008 %	Change 2008-2013 #	Change 2008-2013 %
PRIMARY MARKET AREA										
Population										
Total Population	17,741	21,968	23,227	23,926	4,227	23.8%	1,259	5.7%	699	2.9%
Population Households	17,732	21,919			4,187	23.6%				
Households	6,406	7,093	7,361	7,561	687	10.7%	268	3.8%	200	2.6%
Families	4,661	5,259	5,442	5,555	598	12.8%	183	3.5%	113	2.0%
% Families	73%	74%	74%	73%						
Avg. Households Size	2.77	3.09	3.15	3.16						
Avg. Household Income[a]	$70,498	$78,205	$88,629	$92,453	7,706	10.9%	10,424	13.3%	3,824	4.1%
Median Household Income[a]		$67,218	$74,674	$75,352			7,456	11.1%	678	0.9%
Housing Units	6,648	7,219	7,547		571	8.6%	328	4.5%		
Occupied Housing Units	6,405	7,094	7,361		689	10.8%	267	3.8%		
% Occupied Housing Units	96.3%	98.3%	97.5%							
Owner-Occuped Units	57%	59%	60%							
Renter Occupied Units	43%	39%	37%							
HAYWARD										
Population										
Total Population	114,762	140,030	146,700	150,006	25,268	22.0%	6,670	4.8%	3,306	2.2%
Population Households	113,310	137,867			24,557	21.7%				
Households	40,932	44,804	46,059	46,832	3,872	9.5%	1,255	2.8%	773	1.7%
Families	28,475	32,138	32,997	33,388	3,663	12.9%	859	2.7%	391	1.2%
% Families	70%	72%	72%	71%						
Avg. Households Size	2.77	3.08	3.14	3.16						
Avg. Household Income[a]	$66,346	$72,518	$81,029	$83,222	6,172	9.3%	8,511	11.7%	2,193	2.6%
Median Household Income[a]		$61,628	$66,820	$67,428			5,192	8.4%	608	0.9%
Housing Units	43,067	45,922	47,613		2,855	6.6%	1,691	3.7%		
Occupied Housing Units	40,932	44,803	46,059		3,871	9.5%	1,256	2.8%		
% Occupied Housing Units	95.0%	97.6%	96.7%							
Owner-Occuped Units	52%	53%	54%							
Renter Occupied Units	48%	45%	42%							
ALAMEDA COUNTY										
Population										
Total Population	1,279,182	1,443,741	1,503,532	1,536,037	164,559	12.9%	59,791	4.1%	32,505	2.1%
Population Households	1,242,068	1,416,006			173,938	14.0%				
Households	479,518	523,366	540,698	549,913	43,848	9.1%	17,332	3.3%	9,215	1.7%
Families	308,866	339,096	350,415	354,676	30,230	9.8%	11,319	3.3%	4,261	1.2%
% Families	64%	65%	65%	64%						
Avg. Households Size	2.59	2.71	2.73	2.74						
Avg. Household Income[a]	$74,398	$86,211	$102,160	$110,547	11,813	15.9%	15,949	18.5%	8,387	7.6%
Median Household Income[a]		$66,616	$75,216	$77,216			8,600	12.9%	2,000	2.6%
Housing Units	504,109	540,183	563,596	576,114	36,074	7.2%	23,413	4.3%	12,518	2.2%
Occupied Housing Units	479,518	523,366	540,698	549,913	43,848	9.1%	17,332	3.3%	9,215	1.7%
% Occupied Housing Units	95.1%	96.9%	95.9%	95.5%						
Owner-Occuped Units	53%	53%	54%	53%						
Renter Occupied Units	47%	44%	42%	43%						

Source: ESRI Business Analyst

[a] In 2008 Dollars

Table III-2 Age Distribution Trends in Primary Market Area, Hayward, and Alameda County: 2000-2008

	2000						2008					
	Primary Market Area		Hayward		Alameda County		Primary Market Area		Hayward		Alameda County	
	#	%	#	%	#	%	#	%	#	%	#	%
0-4 years	1,660	8%	11,019	8%	98,378	7%	1,774	8%	11,612	8%	101,548	7%
5-9 years	1,795	8%	11,203	8%	104,648	7%	1,668	7%	10,446	7%	96,173	6%
10-14 years	1,611	7%	9,789	7%	96,769	7%	1,723	7%	10,649	7%	100,599	7%
15-24 years	3,105	14%	20,738	15%	193,193	13%	3,321	14%	22,475	15%	214,802	14%
25-34 years	3,808	17%	24,346	17%	241,073	17%	3,570	15%	23,008	16%	219,450	15%
35-44 years	3,756	17%	22,210	16%	248,706	17%	3,788	16%	22,279	15%	234,463	16%
45-54 years	2,628	12%	16,725	12%	200,518	14%	3,305	14%	19,401	13%	224,548	15%
55-64 years	1,488	7%	9,780	7%	112,865	8%	2,020	9%	12,937	9%	158,115	11%
65+ years	2,116	10%	14,220	10%	147,591	10%	2,058	9%	13,893	9%	153,834	10%
TOTAL	21,967	100%	140,030	100%	1,443,741	100%	23,227	100%	146,700	100%	1,503,532	100%
Median Age	32.4		32		34.5		33.8		32.9			35.8

Growth Trends

	Change 1990-2000						Change 2000-2008					
	Primary Market Area		Hayward		Alameda County		Primary Market Area		Hayward		Alameda County	
	#	%	#	%	#	%	#	%	#	%	#	%
0-4 years	242	17%	1,650	18%	2,446	3%	114	7%	593	5%	3,170	3%
5-9 years	470	35%	2,808	33%	17,871	21%	-127	-7%	-757	-7%	-8,475	-8%
10-14 years	481	43%	2,614	36%	20,478	27%	112	7%	860	9%	3,830	4%
15-24 years	744	32%	3,677	22%	5,383	3%	216	7%	1,737	8%	21,609	11%
25-34 years	127	3%	834	4%	-10,217	-4%	-238	-6%	-1,338	-5%	-21,623	-9%
35-44 years	949	34%	4,860	28%	29,302	13%	32	1%	69	0%	-14,243	-6%
45-54 years	952	57%	6,159	58%	69,014	52%	677	26%	2,676	16%	24,030	12%
55-64 years	-9	-1%	445	5%	18,471	20%	532	36%	3,157	32%	45,250	40%
65+ years	271	15%	2,220	19%	11,811	9%	-58	-3%	-327	-2%	6,243	4%
TOTAL	4,227	24%	37,267	36%	300,339	26%	1,260	6%	6,670	5%	59,791	4%

Source: ERSI Business Analyst

Table III-3 Race and Ethnicity in Primary Market Area, Hayward, and Alameda County: 1990-2008

	1990					
	Primary Market Area		Hayward		Alameda County	
	#	%	#	%	#	%
White Alone	11,471	65%	69,047	60%	742,990	58%
Black Alone	1,544	9%	11,171	10%	224,200	18%
American Indian Alone	179	1%	1,106	1%	8,894	1%
Asian or Pacific Islander Alone	2,276	13%	17,421	15%	190,005	15%
Some Other Race Alone	1,949	11%	14,287	12%	86,095	7%
Two or More Races	322	2%	1,731	2%	26,998	2%
Total	17,741	100%	114,763	100%	1,279,182	100%
Hispanic or Latino (of any race)	4,051	23%	28,420	25%	181,805	14%

	2000					
	Primary Market Area		Hayward		Alameda County	
	#	%	#	%	#	%
White Alone	9,840	45%	60,630	43%	704,334	49%
Black Alone	2,157	10%	15,197	11%	215,598	15%
American Indian Alone	201	1%	1,195	1%	9,146	1%
Asian or Pacific Islander Alone	4,563	21%	28,984	21%	304,360	21%
Some Other Race Alone	3,536	16%	23,519	17%	129,079	9%
Two or More Races	1,671	8%	10,506	8%	81,224	6%
Total	21,968	100%	140,031	100%	1,443,741	100%
Hispanic or Latino (of any race)	7,070	32%	47,919	34%	273,910	19%

	2008					
	Primary Market Area		Hayward		Alameda County	
	#	%	#	%	#	%
White Alone	9,088	39%	56,509	39%	657,442	44%
Black Alone	2,146	9%	14,825	10%	212,943	14%
American Indian Alone	189	1%	1,136	1%	8,866	1%
Asian or Pacific Islander Alone	5,408	23%	32,921	22%	359,472	24%
Some Other Race Alone	4,265	18%	28,088	19%	157,505	10%
Two or More Races	2,132	9%	13,220	9%	107,304	7%
Total	23,228	100%	146,699	100%	1,503,532	100%
Hispanic or Latino (of any race)	8,511	37%	57,116	39%	336,561	22%

	1990-2000					
	Primary Market Area		Hayward		Alameda County	
	#	%	#	%	#	%
White Alone	-1,631	-14%	-8,417	-12%	-38,656	-5%
Black Alone	613	40%	4,026	36%	-8,602	-4%
American Indian Alone	22	12%	89	8%	252	3%
Asian or Pacific Islander Alone	2,287	100%	11,563	66%	114,355	60%
Some Other Race Alone	1,587	81%	9,232	65%	42,984	50%
Two or More Races	1,349	419%	8,775	507%	54,226	201%
Total	4,227	24%	25,268	22%	164,559	13%
Hispanic or Latino (of any race)	3,019	75%	19,499	69%	92,105	51%

	2000-2008					
	Primary Market Area		Hayward		Alameda County	
	#	%	#	%	#	%
White Alone	-752	-8%	-4,121	-7%	-46,892	-7%
Black Alone	-11	-1%	-372	-2%	-2,655	-1%
American Indian Alone	-12	-6%	-59	-5%	-280	-3%
Asian or Pacific Islander Alone	845	19%	3,937	14%	55,112	18%
Some Other Race Alone	729	21%	4,569	19%	28,426	22%
Two or More Races	461	28%	2,714	26%	26,080	32%
Total	1,260	6%	6,668	5%	59,791	4%
Hispanic or Latino (of any race)	1,441	20%	9,196	19%	62,651	23%

Source: ESRI Business Analyst

Table III-4 Educational Attainment and Employment Characteristics in Primary Market Area, Hayward, and Alameda County: 2008

	Primary Market Area	Hayward	Alameda County
2008 Population 25+ by Educational Attainment			
Less Than 9th Grade	10.7%	10.5%	7.4%
9th to 12th Grade, No Diploma	9.8%	10.2%	7.2%
High School Graduate	28.2%	28.3%	20.4%
Some College, No Degree	20.0%	20.1%	18.7%
Associate Degree	7.2%	7.1%	6.9%
Bachelor's Degree	15.9%	16.8%	23.6%
Master's/Prof/Doctorate Degree	8.2%	7.0%	15.8%
2008 Employed Population 16+ by Industry			
Agriculture/Mining	0.4%	0.2%	0.2%
Construction	9.6%	9.0%	6.5%
Manufacturing	14.5%	12.5%	10.9%
Wholesale Trade	5.4%	5.8%	3.8%
Retail Trade	14.2%	12.5%	10.7%
Transportation/Utilities	7.0%	7.6%	5.7%
Information	2.7%	3.0%	3.6%
Finance/Insurance/Real Estate	7.7%	6.9%	7.5%
Services	36.1%	39.5%	47.4%
Public Administration	2.6%	3.0%	3.6%
2008 Employed Population 16+ by Occupation			
White Collar	57.7%	57.5%	69.0%
Management/Business/Financial	12.5%	11.1%	16.6%
Professional	15.6%	17.4%	27.0%
Sales	10.6%	10.5%	10.3%
Administrative Support	19.1%	18.6%	15.1%
Services	12.4%	15.0%	13.2%
Blue Collar	29.8%	27.5%	17.9%
Farming/Forestry/Fishing	0.2%	0.2%	0.1%
Construction/Extraction	7.5%	7.1%	4.7%
Installation/Maintenance/Repair	5.8%	4.5%	3.2%
Production	7.7%	7.1%	4.7%
Transportation/Material Moving	8.6%	8.6%	5.2%

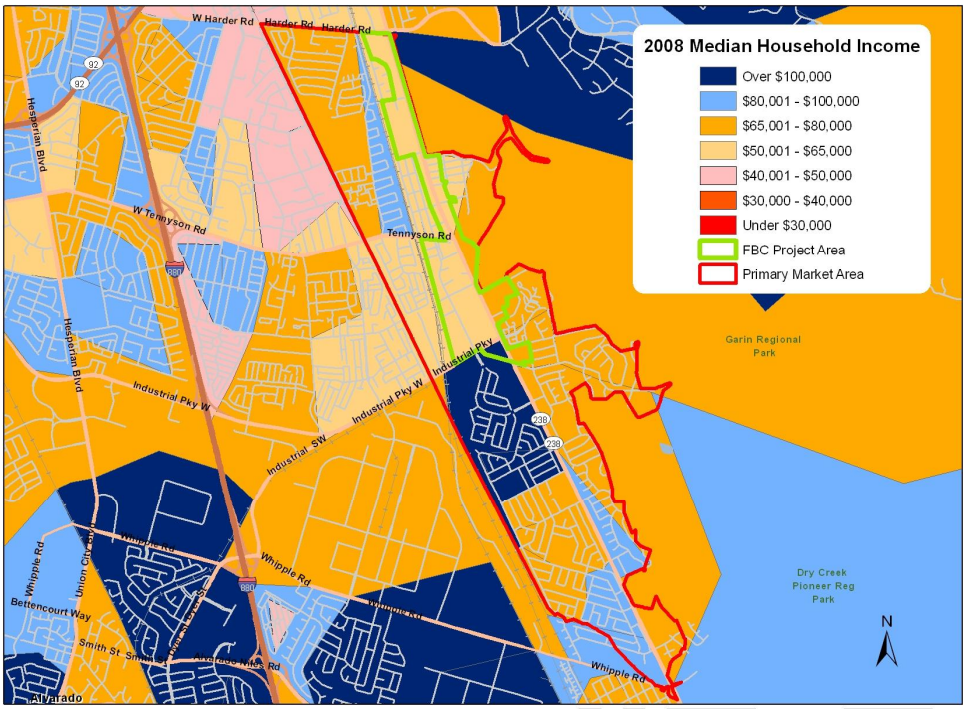
Source: ESRI Business Analyst

Table III-5 Car Ownership and Transpiration to Work in Primary Market Area, Hayward, and Alameda County: 2000

	Primary Market Area	Hayward	Alameda County
2000 Households by Vehicles Available			
None	5.3%	7.7%	10.9%
1	30.7%	32.1%	34.9%
2	39.4%	38.5%	36.1%
3	15.6%	14.5%	12.7%
4	6.3%	5.1%	3.7%
5+	2.7%	2.0%	1.6%
Average Number of Vehicles Available	2.0	1.8	1.7
2000 Workers 16+ by Means of Transportation to Work			
Drove Alone - Car, Truck, or Van	67.7%	69.2%	66.4%
Carpooled - Car, Truck, or Van	19.3%	18.3%	13.8%
Public Transportation	8.3%	6.6%	10.6%
Walked	1.4%	2.1%	3.2%
Other Means	1.7%	1.9%	2.5%
Worked at Home	1.6%	1.9%	3.5%
2000 Workers 16+ by Travel Time to Work			
Total	10,219	61,946	678,910
Did not Work at Home	98.4%	98.1%	96.5%
Less than 5 minutes	1.1%	0.9%	1.4%
5 to 9 minutes	5.4%	5.4%	6.9%
10 to 19 minutes	19.9%	24.5%	25.2%
20 to 24 minutes	12.7%	12.9%	12.4%
25 to 34 minutes	21.2%	22.3%	18.8%
35 to 44 minutes	10.1%	7.5%	7.7%
45 to 59 minutes	14.2%	11.4%	11.1%
60 to 89 minutes	9.8%	9.9%	9.6%
90 or more minutes	3.9%	3.1%	3.4%
Worked at Home	1.6%	1.9%	3.5%
Average Travel Time to Work (in min)	34.1	31.3	30.8

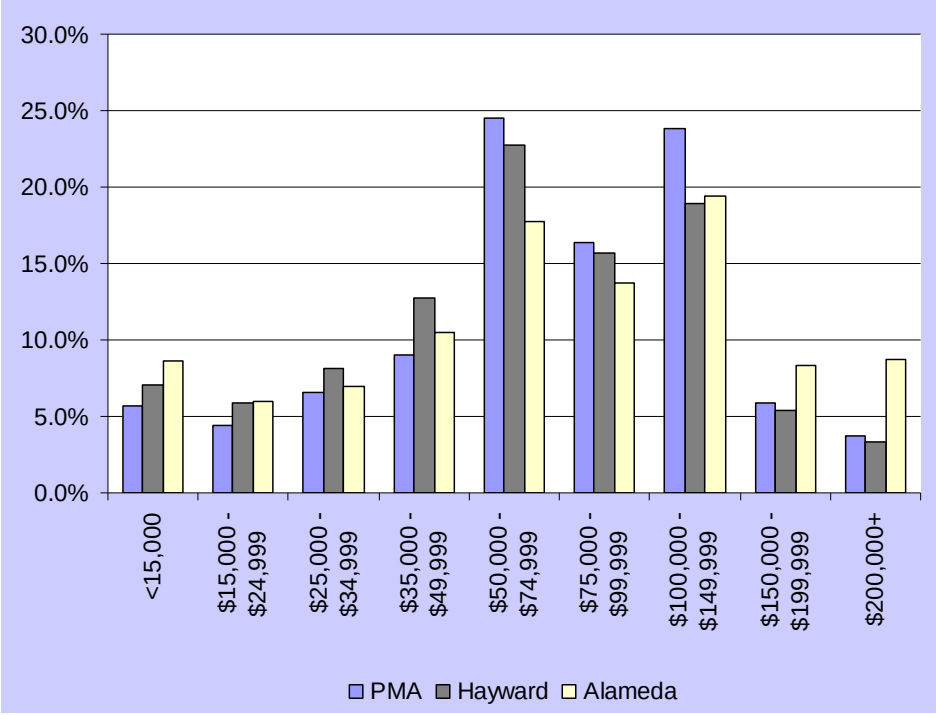
Source: ESRI Business Analyst

Figure III-2 Primary Market Area Income Distribution



Source: ESRI Business Analyst, ERA

Figure III-3 Distribution of Households by 2008 Income



Source: ESRI Business Analyst, 2008

IV. Retail Market Assessment

ERA reviewed recent retail trends in Hayward and Alameda County, including taxable sales, inventory absorption, vacancy and rents to determine the potential for retail development within the Project Area as envisioned by the Concept Design Plan.

Taxable Retail Sales Trends

Taxable retail sales are generally good indicators of trends in the retail market. In general, taxable retail sales in Hayward have followed countywide patterns. The taxable retail sales data presented in **Table IV-1** shows a decline in taxable sales during the early part of the decade associated with the Bay Area's dotcom economic slowdown. This is followed by a subsequent steady recovery. However, the decline in taxable sales was not only more severe in Hayward, but the subsequent recovery was not as robust as the rest of the county. In fact, growth of taxable retail sales in the City of Hayward has trailed countywide growth since at least 1995. See **Table IV-2**.

A few observations can be made about retail in Hayward:

- Taxable retail sales in the categories of apparel, building materials, motor vehicles and parts, and service stations experienced significant growth during the later part of the 1990s. This trend has reversed since 2000. Only service stations have continued to increase probably due to increases in gas prices.

- General merchandise stores and food stores have experienced sluggish growth since 1995 although general merchandise stores sales have been increasing steadily since 2000. Food stores continued growing very slowly between 2000 and 2007.

- Despite steep declines since 2000, sales of motor vehicles and parts continue to be the dominant source of taxable sales in the city followed by general merchandise stores.

- Hayward retail space appears to be more efficient than the rest of the county. In 2007, occupied retail space generated approximately $221 per square foot while countywide it was only $208. However the gap has been shrinking.

- Based on a preliminary analysis, Hayward appears to be a shopping destination attracting shoppers from outside the city to its many general merchandise stores, building materials/home improvement stores, and car dealerships. Grocery stores and eating and drinking establishments appear to be the areas where there is some leakage as Hayward residents travel to other areas to shop in those categories. See **Table IV-3**.

Table IV-1 Taxable Retail Store Sales: Hayward, Alameda County, 2000-2007

	Hayward			Alameda County			City Share	City Share
Year	Taxlable Sales[1]	% increase (decrease)[2]	Taxable Sales/Sq.Ft.	Taxlable Sales[1]	% increase (decrease)[2]	Taxable Sales/Sq.Ft.	of County Taxable Sales	of County's Occupied Retail Space
2000	$1,560,425	13%	$231	$13,868,169	17%	$192	11.3%	9.3%
2001	$1,518,281	(3%)	$224	$13,682,707	(1%)	$189	11.1%	9.4%
2002	$1,458,857	(4%)	$215	$13,375,587	(2%)	$183	10.9%	9.3%
2003	$1,452,966	(0%)	$213	$13,562,149	1%	$186	10.7%	9.4%
2004	$1,502,334	3%	$219	$14,343,842	6%	$196	10.5%	9.4%
2005	$1,537,933	2%	$227	$15,228,482	6%	$209	10.1%	9.3%
2006	$1,575,555	2%	$225	$15,656,414	3%	$214	10.1%	9.6%
2007	$1,618,582	3%	$221	$15,664,940	0%	$208	10.3%	9.7%

[1] In thousands

[2] From previous year

Source: California State Board of Equalization, CoStar, ERA

Table IV-2 Taxable Retail Store Sales by Category, Hayward and Alameda County, 1990, 2000, and 2007

				Compound Annual Growth Rate	
	1995	2000	2007	1995-2000	2000-2007
Hayward Taxable Sales					
Apparel stores	$34,831	$60,181	$69,503	12%	2%
General merchandise stores	$204,639	$216,348	$301,442	1%	5%
Food stores	$53,903	$58,719	$63,286	2%	1%
Eating and drinking places	$90,895	$112,172	$156,115	4%	5%
Home furnishings and appliances	$50,213	$62,764	$79,897	5%	4%
Building materials	$55,206	$159,749	$193,279	24%	3%
Motor vehicles and parts	$259,053	$512,666	$353,283	15%	-5%
Service Stations	$75,323	$126,964	$199,392	11%	7%
Other retail Stores	$278,969	$250,862	$202,385	-2%	-3%
Retail stores totals	**$1,103,032**	**$1,560,425**	**$1,618,582**	7%	1%
Taxable Sales percapita	**$8.75**	**$11.14**	**$10.98**		
Alameda Taxable Sales					
Apparel stores	$357,465	$485,707	$666,247	6%	5%
General merchandise stores	$1,481,318	$1,934,406	$2,292,279	5%	2%
Food stores	$629,201	$720,183	$801,916	3%	2%
Eating and drinking places	$1,061,672	$1,458,323	$1,953,544	7%	4%
Home furnishings and appliances	$483,394	$771,808	$811,390	10%	1%
Building materials	$860,306	$1,172,537	$1,504,738	6%	4%
Motor vehicles and parts	$1,705,823	$3,177,301	$2,912,074	13%	-1%
Service Stations	$690,375	$1,063,763	$1,831,042	9%	8%
Other retail Stores	$1,647,719	$3,084,141	$2,891,710	13%	-1%
Retail stores totals	**$8,917,273**	**$13,868,169**	**$15,664,940**	9%	2%
Taxable Sales percapita	**$6.69**	**$9.60**	**$10.31**		

Source: California State Board of Equalization, California State Department of Finance

Table IV-3 Retail Sales and Demand Comparison, 2007

	Sales in City of Hayward	City of Hayward Resident Demand	Excess Capture v Leakage
Apparel Stores	$69,503	$64,634	7.5%
Gen. Merchandise & Drug	$310,485	$229,050	35.6%
Food Stores	$189,858	$233,387	-18.7%
Eating & Drinking Places	$156,115	$189,517	-17.6%
Furnishing & Appliances	$79,897	$78,715	1.5%
Bldg Materials & Farm Eqmt	$193,279	$145,978	32.4%
Auto Dealers & Supplies	$353,283	$282,506	25.1%
Service Stations	$199,392	$177,633	12.2%
Other Retail Stores	$202,385	$280,531	-27.9%
Total Retail Stores	**$1,754,197**	**$1,681,951**	**4.3%**

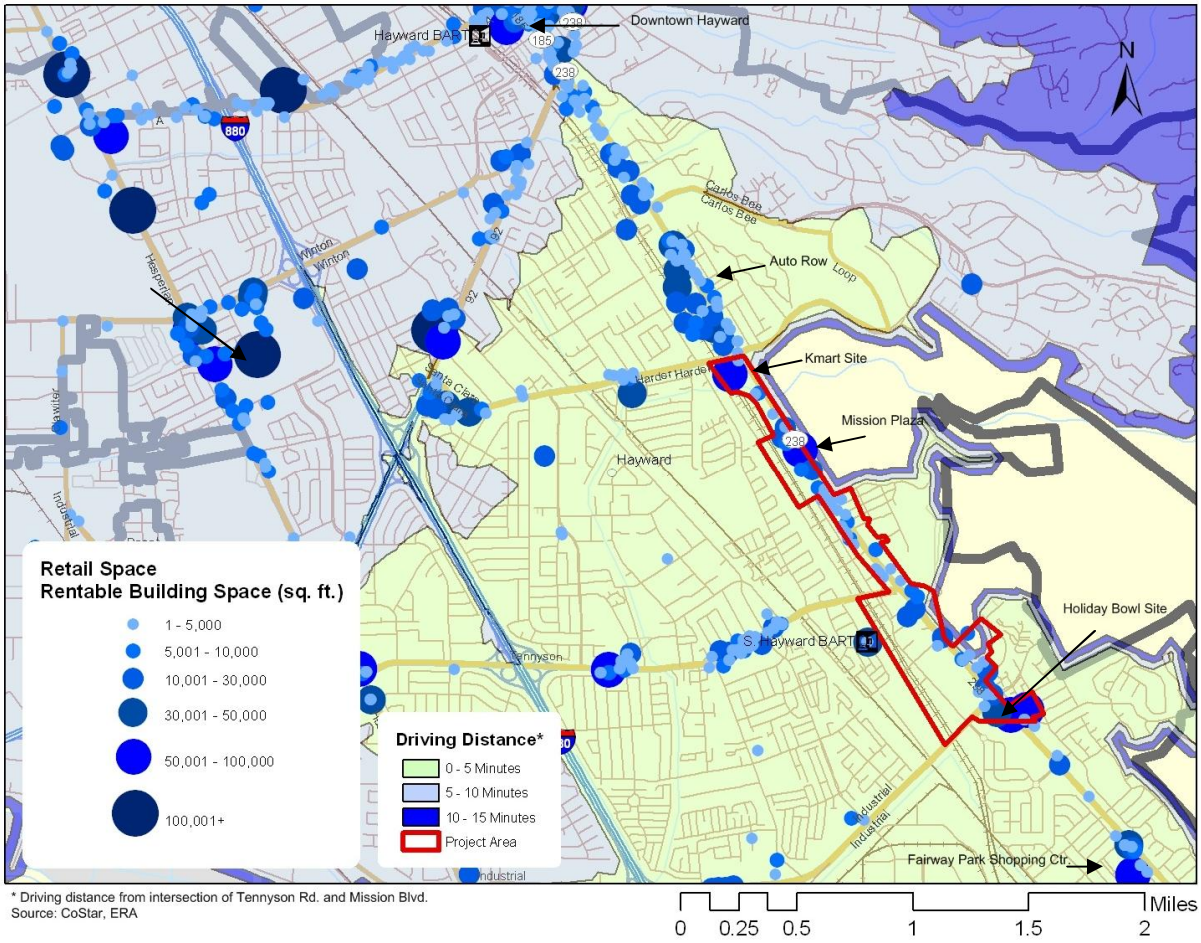
Source: CA Department of Finance, CA Board of Equalization, ERA

The retail market has changed significantly since 2007 given the current economic situation. Taxable retail sales data are not available after the second quarter of 2008. Therefore, ERA examined the performance of retail real estate to have a better understanding of how the retail sector is performing.

Retail Supply

Retail in the City of Hayward is concentrated along A Street, Downtown, Hesperian Blvd. Route 92, and Tennyson Road. The largest retail spaces within the Project Area are the Kmart at the intersection of Mission Boulevard and Harder Plaza, Mission Plaza on Mission Boulevard, and the Holiday Bowl site at the intersection of Mission Boulevard and Industrial Parkway. Each of these developments is examined in more detail below, but first we present a detailed overview of the inventory and recent trends of retail space in Alameda County, Hayward, and the Project Area. This overview is followed by a more focused analysis of the Project Area broken down into smaller subareas.

Figure IV-1 Geographical Distribution of Retail Space in the City of Hayward, 2009



* Driving distance from intersection of Tennyson Rd. and Mission Blvd.
Source: CoStar, ERA

General Trends

In the second quarter of 2009, there were approximately 72.5 million square feet of Rentable Building Area (RBA) in Alameda County. Hayward accounted for approximately nine percent (or 6.8 million square feet). The Project Area, in turn, accounts for more than half a million square feet of retail space. See **Table IV-5.**

Hayward has experienced healthy retail growth adding more than 800,000 square feet of retail since the year 2000 (approximately 10.8 percent growth). By comparison, the county has added approximately 7.9 million square feet of retail (approximately 9.1 percent growth). There has been little growth (approximately 15,000 square feet or less than 3 percent) of retail space within the Project Area since 2000.

Since the first quarter of 2000, the Project Area has had, on average, 531,000 square feet of occupied retail space. The highest rates of occupancy in the Project Area occurred between the

second quarter of 2000 and the second quarter of 2003 when approximately 544,000 square feet of retail were occupied. These occupancy levels were reached again in the first quarter of 2008. As shown in **Figure IV-4** occupied retail space has been growing city and countywide, but not within the Project Area.

Vacancy

Vacancy rates have fluctuated dramatically over the past five years (see **Figure IV-2**). Volatility is higher in the City of Hayward and even higher with the Project Area. Looking at the five year period dating back to the first quarter of 2004, vacancies of retail space reached their highest point the fourth quarter of 2005. The countywide vacancy rate stood at 6.7 percent, while in the Project Area it was 8.8 percent with only 497,000 square feet of occupied space. At the lowest point, in the fourth quarter of 2007, countywide retail vacancy stood at 2.4, while in the Project Area it was less than half a percent. This volatility is most likely due to the nature of the retailers in the area (i.e. primarily independent retailers) who tend to be more susceptible to economic swings. Currently, retail space vacancy is 5.5 percent countywide, 4.4 percent in the city of Hayward, and 3.4 percent in the Project Area. Vacancy rates can be expected to increase in the near future given the current economic situation. Given the susceptibility of retailers in the Project Area observed in the past, vacancy rates will probably increase more dramatically in this area.

Despite a clear trend in retail space occupancy within the trade area, it is clear that the area is not keeping up with the rest of the city in terms of occupied space. As shown in **Figure IV-3**, the area's occupied retail space as a share of citywide occupied retail space has been declining since the year 2000; declining from approximately eight percent to 7.2 percent between the first quarter of 2000 and the second quarter of 2009.

Rates

Rental rates for retail space have also experience some volatility although not as dramatic as vacancies. From the first quarter of 2004 to the second quarter of 2009, countywide retail rents have fluctuated between $25 and $30 per square foot triple-net. As illustrated by **Table IV-4** retail rents in the city of Hayward have been on average $5 dollars lower than the county.

Rents within the trade area generally mirror that of the city. During the past 15 quarters, going back to the first quarter of 2006, average rental rates in the Project Area have fluctuated between $20 and $30 per square foot. While averages are useful for comparing across different geographical areas, they do not control for type of space, quality, location, and other attributes that influence these rates. ERA identified 17 retail spaces in a two-mile radius from the intersection of Mission Boulevard and

Tennyson Road that currently on the market. Based on these properties rental rates can be segmented as follows:

Table IV-4 Current Retail Rental Rates

Building type	Building Size[1]	Rate[2]	Example
Retail/Auto Dealership	20,000-40,000	$8-13	Former Mazda and Chevrolet Dealerships
Neighborhood Center	80,000-140,000	$27-35	Mission Plaza and Fairway Park Shopping Center, Target Shops
Strip Center	10,000-40,000	$20-27	University Plaza, Haymont Plaza, Tennyson Shopping Center, Schafer Park (Food Outlet)

[1]Square feet

[2] Tripple-net per square foot
Source: ERA, CoStar

Table IV-5 Overview of Existing Retail Space, Project Area, Hayward, and Alameda County, 2000-2009

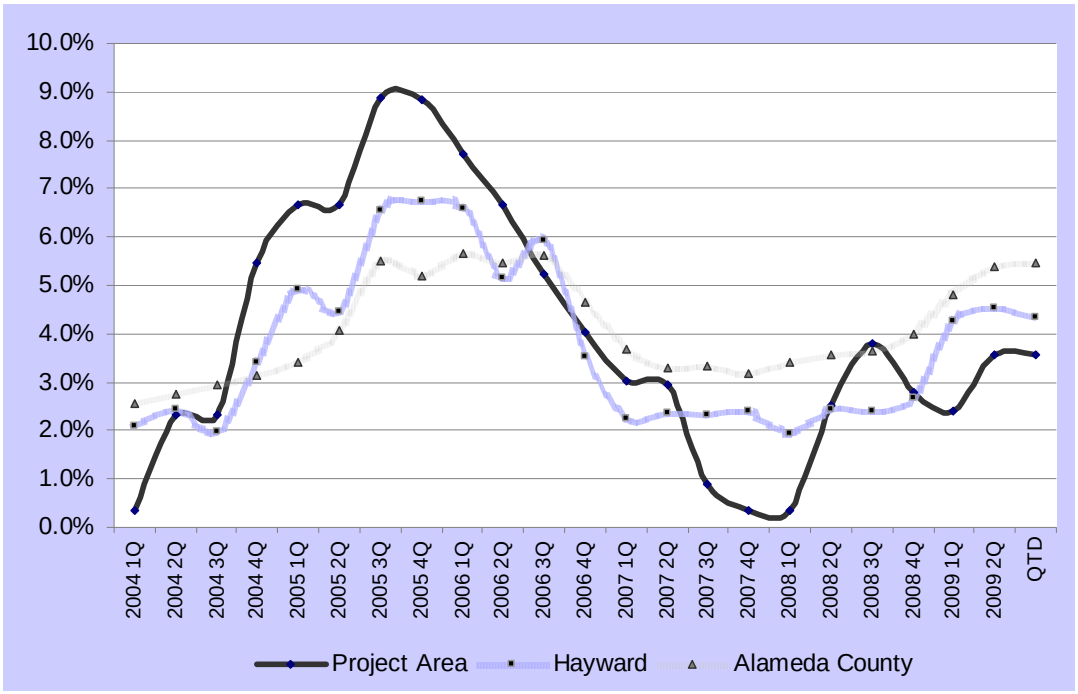
	Project Area						Hayward						Alameda County					
Period	# Bldgs	Total RBA	Total Vacant %	Occupied SF	Total Net Absorption	Total Gross Absorption	# Bldgs	Total RBA	Total Vacant %	Occupied SF	Total Net Absorption	Total Gross Absorption	# Bldgs	Total RBA	Total Vacant %	Occupied SF	Total Net Absorption	Total Gross Absorption
QTD	59	544,319	3.6%	524,868	0	0	750	7,579,625	4.4%	7,249,818	14,410	61,722	7,956	79,891,750	5.5%	75,517,560	(49,792)	346,173
2009 2Q	59	544,319	3.6%	524,868	(6,438)	0	747	7,572,710	4.5%	7,228,493	(22,539)	141,799	7,932	79,775,931	5.4%	75,468,227	(445,388)	731,452
2009 1Q	59	544,319	2.4%	531,306	2,127	2,127	747	7,572,710	4.2%	7,251,032	(119,302)	19,092	7,929	79,759,358	4.8%	75,913,615	(592,081)	590,055
2008 4Q	59	544,319	2.8%	529,179	5,460	6,960	747	7,572,710	2.7%	7,370,334	32,702	109,288	7,922	79,697,698	4.0%	76,505,696	322,296	1,054,855
2008 3Q	59	544,319	3.8%	523,719	(6,960)	0	745	7,517,787	2.4%	7,337,632	2,451	36,824	7,910	79,066,722	3.6%	76,183,400	44,412	719,611
2008 2Q	59	544,319	2.5%	530,679	(11,820)	0	745	7,517,787	2.4%	7,335,181	(36,659)	40,099	7,903	78,958,268	3.6%	76,138,988	(82,130)	531,834
2008 1Q	59	544,319	0.3%	542,499	0	0	745	7,517,787	1.9%	7,371,840	39,734	87,272	7,900	78,927,267	3.4%	76,221,118	295,755	1,020,245
2007 4Q	59	544,319	0.3%	542,499	3,120	3,120	744	7,513,206	2.4%	7,332,106	(4,381)	11,356	7,888	78,407,240	3.2%	75,925,363	310,784	618,164
2007 3Q	59	544,319	0.9%	539,379	11,000	11,000	743	7,511,988	2.3%	7,336,487	3,337	26,159	7,875	78,233,696	3.3%	75,637,361	139,532	556,076
2007 2Q	59	544,319	2.9%	528,379	600	600	743	7,511,988	2.4%	7,333,150	(8,884)	20,392	7,867	78,070,939	3.3%	75,497,829	594,364	1,198,928
2007 1Q	59	544,319	3.0%	527,779	5,400	5,400	743	7,511,988	2.3%	7,342,034	100,689	130,979	7,857	77,762,882	3.7%	74,903,465	983,803	1,635,768
2006 4Q	59	544,319	4.0%	522,379	6,480	21,600	742	7,507,087	3.5%	7,241,345	179,500	253,648	7,843	77,530,101	4.7%	73,919,662	904,703	1,556,807
2006 3Q	59	544,319	5.2%	515,899	7,800	7,800	742	7,507,087	5.9%	7,061,845	120,691	202,960	7,838	77,373,398	5.6%	73,027,939	195,643	856,494
2006 2Q	59	544,319	6.7%	508,099	5,780	7,600	741	7,317,087	5.1%	6,941,154	124,006	131,526	7,829	77,043,385	5.5%	72,832,296	192,904	524,550
2006 1Q	59	544,319	7.7%	502,319	6,100	6,100	739	7,296,941	6.6%	6,817,148	27,800	67,945	7,823	76,982,108	5.6%	72,639,392	(75,825)	605,783
2005 4Q	59	544,319	8.8%	496,219	200	200	738	7,279,533	6.7%	6,789,348	96,906	135,972	7,812	76,700,353	5.2%	72,715,217	376,990	687,192
2005 3Q	59	544,319	8.9%	496,019	(12,100)	12,000	737	7,161,636	6.6%	6,692,442	(150,534)	27,570	7,806	76,538,762	5.5%	72,338,227	(813,628)	525,747
2005 2Q	59	544,319	6.7%	508,119	0	0	737	7,161,636	4.4%	6,842,976	34,919	50,350	7,796	76,269,848	4.1%	73,151,855	(511,720)	258,503
2005 1Q	59	544,319	6.7%	508,119	(6,400)	0	737	7,161,636	4.9%	6,808,057	(10,324)	85,905	7,794	76,263,848	3.4%	73,663,575	555,448	933,774
2004 4Q	59	544,319	5.5%	514,519	(17,106)	10,694	731	7,058,910	3.4%	6,818,381	(52,669)	66,767	7,775	75,465,872	3.1%	73,108,127	46,979	434,648
2004 3Q	59	544,319	2.3%	531,625	0	0	728	7,010,430	2.0%	6,871,050	33,139	38,585	7,766	75,266,764	2.9%	73,061,148	2,164	323,542
2004 2Q	59	544,319	2.3%	531,625	(10,694)	0	728	7,010,430	2.5%	6,837,911	(25,341)	9,353	7,761	75,130,931	2.8%	73,058,984	(136,836)	317,233
2004 1Q	59	544,319	0.4%	542,319	0	0	728	7,010,430	2.1%	6,863,252	303	22,463	7,760	75,128,331	2.6%	73,195,820	437,822	863,979
2003 4Q	59	544,319	0.4%	542,319	(2,000)	0	727	6,998,360	1.9%	6,862,949	33,211	64,413	7,746	74,405,569	2.2%	72,757,998	(41,278)	250,469
2003 3Q	59	544,319	0.0%	544,319	0	0	723	6,959,371	1.9%	6,829,738	21,037	22,137	7,739	74,355,862	2.1%	72,799,276	(25,522)	197,055
2003 2Q	59	544,319	0.0%	544,319	0	0	721	6,939,834	1.9%	6,808,701	(25,953)	4,820	7,735	74,329,236	2.0%	72,824,798	(136,102)	317,714
2003 1Q	59	544,319	0.0%	544,319	0	0	721	6,939,834	1.5%	6,834,654	38,252	91,073	7,735	74,329,236	1.8%	72,960,900	(63,881)	399,579
2002 4Q	59	544,319	0.0%	544,319	1,100	1,100	719	6,852,676	0.8%	6,796,402	(1,313)	21,315	7,727	74,141,129	1.5%	73,024,781	(303,340)	223,400
2002 3Q	59	544,319	0.2%	543,219	0	0	719	6,852,676	0.8%	6,797,715	37,554	40,600	7,722	74,096,554	1.0%	73,328,121	15,544	286,276
2002 2Q	59	544,319	0.2%	543,219	0	0	719	6,852,676	1.4%	6,760,161	(100)	11,485	7,721	74,090,304	1.0%	73,312,577	28,906	294,438
2002 1Q	59	544,319	0.2%	543,219	0	0	719	6,852,676	1.3%	6,760,261	(11,114)	7,051	7,716	74,067,943	1.1%	73,283,671	768,307	861,496
2001 4Q	59	544,319	0.2%	543,219	0	0	718	6,845,625	1.1%	6,771,375	(40,600)	0	7,705	73,527,916	1.4%	72,509,381	(298,231)	72,468
2001 3Q	59	544,319	0.2%	543,219	(1,100)	0	718	6,845,625	0.5%	6,811,975	27,650	29,750	7,702	73,514,522	1.0%	72,807,612	718,435	814,779
2001 2Q	59	544,319	0.0%	544,319	0	0	718	6,845,625	0.9%	6,784,325	43,304	61,454	7,699	73,145,499	1.4%	72,089,177	(317,653)	91,063
2001 1Q	59	544,319	0.0%	544,319	0	0	717	6,784,171	0.6%	6,741,021	(9,548)	2,552	7,696	73,067,142	0.9%	72,406,830	111,401	193,863
2000 4Q	59	544,319	0.0%	544,319	0	0	716	6,783,119	0.5%	6,750,569	5,615	5,615	7,688	72,977,401	0.9%	72,295,429	174,760	246,234
2000 3Q	59	544,319	0.0%	544,319	0	0	715	6,778,704	0.5%	6,744,954	(4,450)	500	7,683	72,806,454	0.9%	72,120,669	(129,367)	177,500
2000 2Q	59	544,319	0.0%	544,319	16,048	16,048	715	6,778,704	0.4%	6,749,404	17,348	17,348	7,679	72,720,803	0.6%	72,250,036	253,485	348,375
2000 1Q	58	529,271	0.2%	528,271	0	0	714	6,763,656	0.5%	6,732,056	1,050	1,350	7,672	72,594,651	0.8%	71,997,088	1,065,485	1,198,534

2000 Q1 - 2009 QTD Statistics

	Project Area	Hayward	Alameda County
Added Retail Space (sq. ft.)	15,048	815,969	7,297,099
Added Retail Space (%)	2.8%	10.8%	9.1%

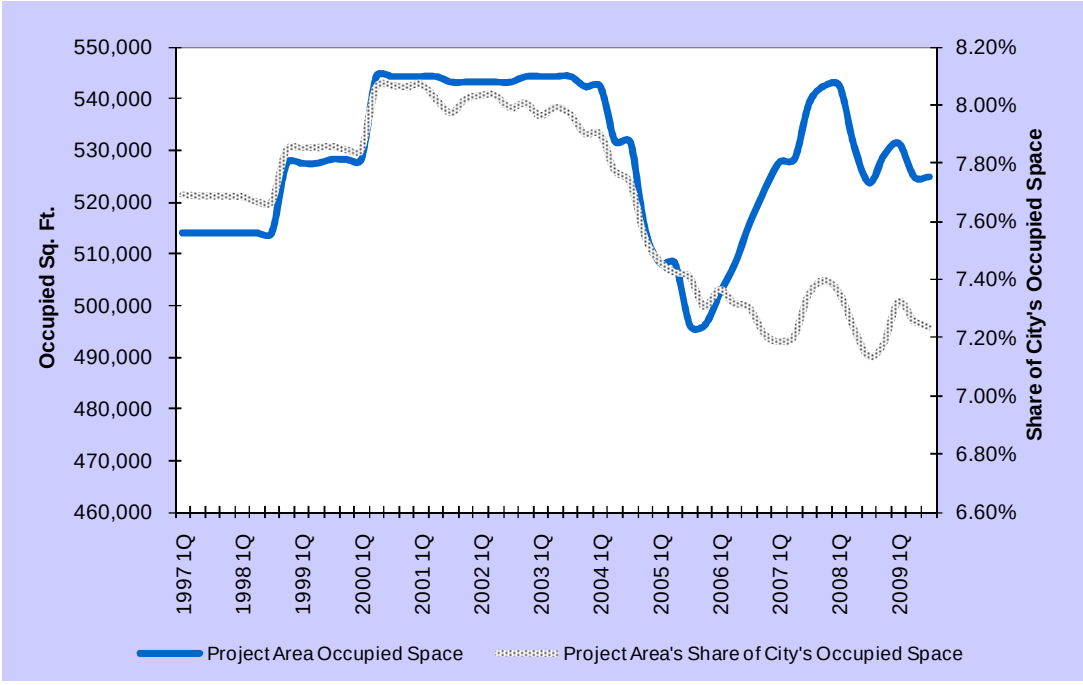
Source: CoStar

Figure IV-2 Average Vacancy Rate, Q1 2004 - Q2 2009



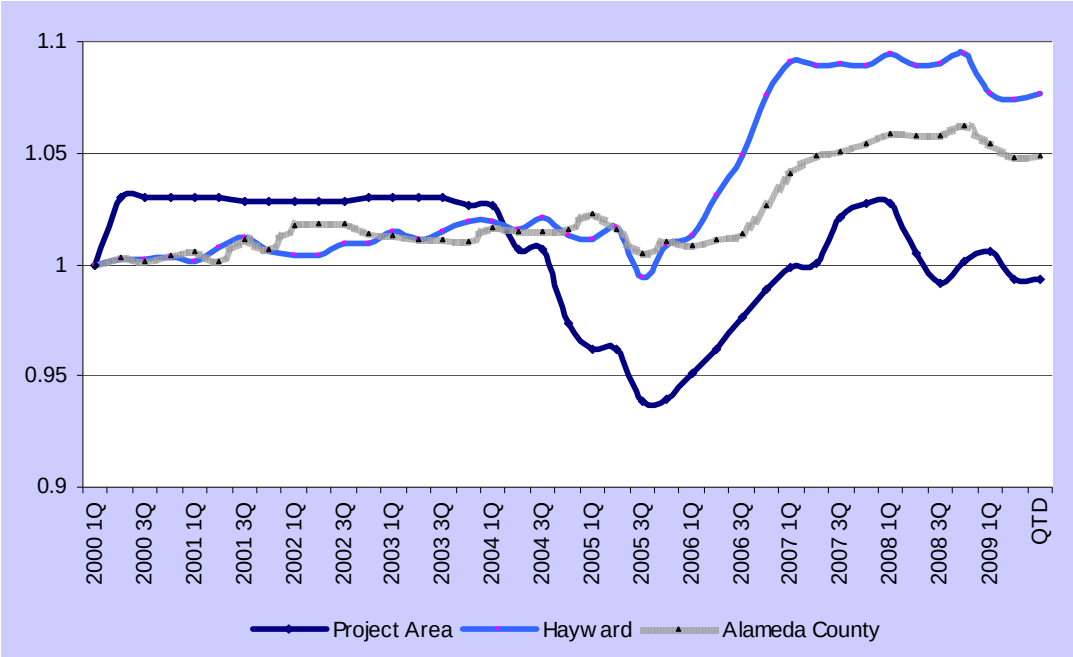
Source: CoStar

Figure IV-3 Project Area Occupied Retail Space, Q1 1997 – Q2 2009-09-01



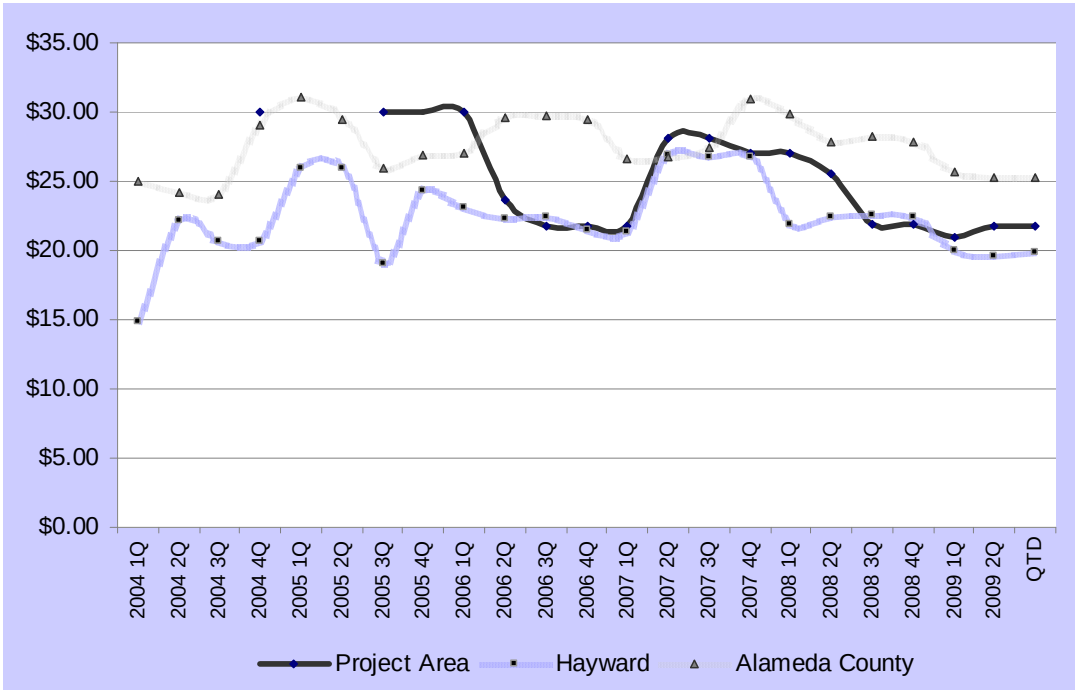
Source: CoStar

Figure IV-4 Occupied Space Trends, Q1 2000 - Q2 2009



Source: CoStar

Figure IV-5 Average Retail Rental Rates (Triple Net), Q1 2004 - Q2 2009



Source: CoStar

Project Area Retail

Overall trends highlight general trends, but they do not provide sufficient information about the issues specific to a particular area, which may affect retail performance. In this subsection ERA, focuses on specific locations within the trade area.

As previously mentioned, the majority of the Project Area consists of a combination of neighborhood shopping centers, vacant lots, and freestanding stores and restaurants. The vacant Holiday Bowl site on the southwest corner of Mission Boulevard and Industrial Parkway and the Kmart Site, which has significant amount of underutilized parking on the southwest corner of Mission Boulevard and Harder Road, serve as gateways to the Project Area. The largest retail centers within the Project Area, in addition to Kmart and the Holiday Bowl site, are Haymont shopping center, and Mission Plaza. Many of the independent businesses cater primarily to the South Asian and Latino population of the area. There is also a heavy concentration of auto-related uses, such as repair and care shops, auto parts, and use car dealerships. Most of the free-standing commercial buildings date from the 1970s and many of them are poorly-maintained or vacant.

In order to facilitate the retail analysis, ERA segmented the Project Area into seven sub-areas that were used during the development of the Concept Design Plan. These sub-areas are represented in **Figure IV-6** and described in more detail below.

- Sub-area 1 includes the parcels at the corner of Harder Road and Mission Boulevard where Kmart is currently located. Payless Shoes Source and MacDonald's are also located on at this site on separate pads. The site currently has approximately 95,000 square feet of retail and significant amount of underutilized parking. Despite its location as a gateway to the Project Area, the site currently has poor visibility and awkward accessibility from Mission Boulevard. Because of its location adjacent to Hayward's Auto Row, the concept design plan envisioned this site as an auto dealership. Economic turmoil in the way of plum betting sales, lack of credit markets have recently led to the elimination thousands of dealers across the country. The City of Hayward recently lost Chevrolet, Dodge, Ford, and Mazda. Dealers of foreign vehicles such as Toyota, Volkswagen, Honda, and Nissan are in slightly better position to survive the current downturn and are likely to stay in their current locations. However, most of them are located in the northern portion of the Auto Row leaving the area adjacent to the Project Area more vulnerable to urban decay at least in the short term.

  When the eventual recovery of the auto-industry begins in earnest, the prospects for an expansion of car dealerships are uncertain. Analysts have, for years, called for consolidation

of retail outlets in order to free up funds for advertising and new investment. Auto manufacturers may follow their advice. Even if an expansion of automobile retail were to follow, dealerships along Mission Boulevard will have to compete with other auto rows along I-880. Given the availability of space left vacant by defunct car dealerships, and the condition of the auto-industry, redevelopment of the Kmart site as a car dealership seem unlikely in the near- and long-term.

- Sub-area 2 includes all parcels (on the western side of the street) on the north end of Mission Boulevard between the Kmart site and Jefferson Street. There are approximately 13 buildings with more than 160,000 square feet of rentable retail space. Approximately ten percent was vacant as of the third quarter of 2009. Most of the retail space is in this subarea is located at the Haymont shopping center and Mission Plaza. Each is described below:

  - Haymont shopping center is a local commercial center with 42,515 square feet of retail space dating back to 1951. Most of its tenants cater to the South Asian market in the neighborhood and region. According to CoStar, the center currently has only 33 percent of leased space and asking rents for available space range between $22.80 and $26.40 triple net. However, the broker for the property indicated that some of the empty spaces, including the anchor tenant space, have been leased and the tenants are waiting for approvals from the City to begin operations. When those new tenants move in vacancy will be approximately 40 percent.

    Suroor, a large Indian/Pakistani restaurant will anchor the shopping center. The vision for the shopping center is to be the first Indian-Pakistani-Iranian themed center in the region. The owner plans to conduct an extensive renovation of the shopping center, which will include façade and landscaping improvements. In order to proceed with this project, the owner is awaiting city approvals and finalizing loan commitments. Once this phase is completed, a second phase of the project will add an additional 8,000 square feet of retail and six to eight condominiums. The timeline for the second phase of the project is uncertain.

    Under the CDP, these parcels are designated High Density Residential and Mixed-Use with densities of 17.4-34.8 du/ac and 27.0-55.0 du/ac respectively

  - Mission Plaza is the only shopping center anchored by a grocery store (Food Source) and a drug store (Walgreen's) within the Project Area. Built in 1991 with nearly 85,000 square feet of leasable space, it commands the highest rents in the area. Current asking

rents are $26.40 triple net. Vacancy is currently at 92.4 percent. Mission Plaza Shopping center is maintained under the CDP.

In addition to Haymont Shopping Center and Mission Plaza there are vacant parcels which currently separate the Bowman Elementary School from Mission Boulevard. Under the CDP, the Bowman would expand onto Mission Boulevard.

- Sub-area 3 includes all parcels fronting Mission Boulevard from Jefferson Street to Tennyson Road. Most of the lots in this sub-area back directly on to residential neighborhood although some continue onto 13th street. Current uses in this are consist of auto-related services, a church, a liquor store, a medium size Latino-supermarket, and several vacant parcels on both sides of Mission Boulevard. This area includes the northern parcels at the intersection of Tennyson Road and Mission Boulevard. These parcels are currently occupied by service stations. ERA identified 24 buildings with almost 63,000 square feet of rentable space. Vacancy in this area fluctuates considerably. Currently there are no actively marketed spaces in this subarea. Rental rates are difficult to obtain in this area.

  The CDP envisions predominantly 3 to 5-story residential buildings, with ground floor commercial uses at selected street intersections, and an exclusively commercial center at the Tennyson Road Intersection.

- Sub–area 4 includes the South Hayward BART station, access facilities, BART parking lots, and all parcels fronting Mission Boulevard between Tennyson Road and Valle Vista Avenue. ERA identified five buildings with more than 71,000 square feet of rentable building space. These are large spaces ranging between 7,000 and 20,000 square feet. They are currently occupied mostly by auto-related retail. According to CoStar the average rental rate is almost $13.00 per square foot (NNN).

  This area includes the northern parcels at the Mission Boulevard and Tennyson Road intersection. Under the CDP, the parcel east of Mission is zoned commercial and the parcel west of Mission is zoned mixed-use. These parcels represent an excellent retail opportunity due to their location in a prominent intersection and their proximity to the BART station.

- Sub-area 4 is the core of the CDP and provides the greatest opportunity for development of a transit village in order to encourage the development of a transit village, the CDP allows the highest residential density designation in the area. The CDP also indicates a preference for a grocery store at the corner of Mission Boulevard and Valle Vista Avenue.

- A group of investors are currently moving forward with a plan to redevelop this area in accordance with the CDP. If carried through, this project could be the catalyst for the transformation of the area, by introducing new residents to the area and also by changing the market perception of the area. This project is described in more detail below.

- Sub-area 5 consists of the parcels between Mission Boulevard and the BART tracks and between Valle Vista Avenue and Industrial Parkway. Current uses are single- and multi-family residential interspersed with considerable amount of vacant land (including some large parcels) owned by Caltrans. Retail concentrates at the intersection of Mission Boulevard and Industrial Parkway. There are approximately 26,000 square feet of rentable retail space in four buildings. Approximately 5.7 percent of the space is currently vacant. According to CoStar average asking rents are $8.00 per square foot (NNN). At the intersection of Mission and Industrial Parkway, there is a high concentration of restaurants with a combination of national fast-food chains and independent ethnic restaurants.

  The CDP designates this area mostly residential except for the lots at the intersection of Mission Boulevard and Valle Vista and Industrial Parkway, which are designated Public Facilities (i.e. Community Center) and Mixed-Use respectively. The CDP envisions Dixon Street as the 'spine' of this sub-area.

- Sub-area 6 includes parcels east of Mission Boulevard between Valle Vista Avenue and Industrial Parkway. This area includes a Mosque as well as considerable amounts of vacant land. Retail space consists mostly of small spaces for light-industrial services (auto-repair, tire and glass sales, and welding). Six buildings contain approximately 16,000 square feet of retail.

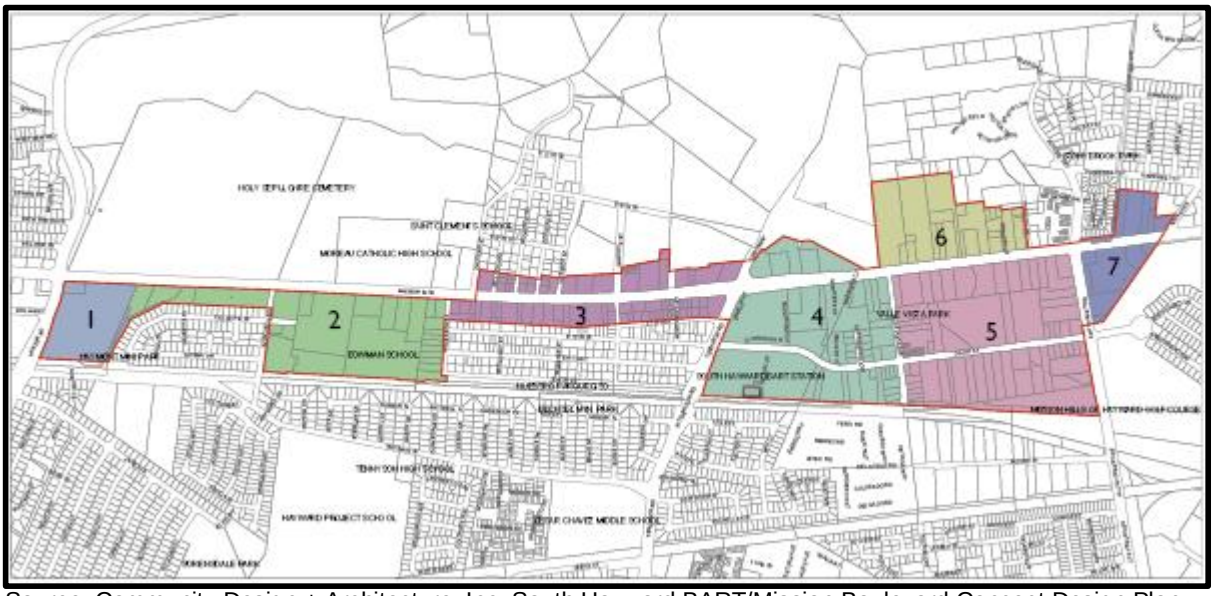
  There have been previous attempts to develop the vacant Valle Vista Skating Center site on the north end of the subarea. According to a representative of the owner, there are no plans to develop the property because of the difficulty of finding appropriate financing in light of the economic situation. The owner has reservations about moving forward at this point after spending nearly half million dollars during his last attempt to develop the land without any outcomes.

- Sub-area 7 includes the parcels along Mission Boulevard south of Industrial Parkway. The parcel west of Mission Boulevard is where the old Holiday Bowl site is located. Across the street there is a 74,000 square feet min-storage facility, and a 76 gas station. These parcels are designated commercial under the CDP.

Environmental concerns limit the possibilities for redevelopment of the Holiday Bowl site. Commercial uses, as prescribed by the CDP appear the most feasible. Foothill Partners worked for various years on the potential redevelopment of this property. Potential uses considered for the site included a gas station, a chain drugstore, a hotel, and a grocery store. None of them materialized mostly due to limitation of market or due to reasons exogenous to the site (i.e. industry consolidation). Foothill Partners is no longer involved with the property and the owners are working with a new broker. The future of the property is uncertain at this point.

In addition to the development of a Form Based Code, there are currently two major projects in the planning phases which will positively affect the Project Area's potential for further development. Each project is described below.

Figure IV-6 Project Area Commercial Sub-Areas



Source: Community Design + Architecture, Inc. South Hayward BART/Mission Boulevard Concept Design Plan

Wittek-Montana-Eden South Hayward BART Station Village

This mixed-use project consists of 788 multi-family residential units (including 206 units of affordable housing for families and seniors) and a 58,500 grocery store (Safeway) as well as a 910-space BART parking garage. Generally the proposed development complies with the CDP. However the location of the store is different than what was envisioned by the CDP. The project consists of approximately twelve acres centered along Dixon Street within sub-area 4, which is described above. Sub-area 4 is

the core of the plan area and provides the greatest opportunity for development in the near term. Due to the current economic conditions as well as the need to assure adequate BART parking, the project is proposed to be developed in 4 phases.

Phase I will include the 58,500 square foot grocery store as well as other local servicing retail uses, such as coffee shops, etc. It will also include the development of 125 affordable housing units consisting of two- and three-bedroom units with rents ranging from $354 to $1,078 per month. An additional 81 affordable units for seniors will be built during this phase. Rents will range between $460 and $780 per month for these units. Eden Housing will be in charge of the development of these units. Phase I will require the reconfiguration and construction of the bus transfer facility, including access for buses and bus parking bays.

Phase II consists of a seven-level parking garage for BART commuters.

Phase III includes the construction of 241 rental units in two buildings directly adjacent to the station. These will be market-rate units with associated amenities such as a health club and a business center.

Phase IV includes the construction of 341 flats and lofts over a podium and subterranean parking. These units would be developed in four phases of approximately 85 units per phase. The units will along mission Boulevard will incorporate live-work units and there will be a small commercial space to meet the zoning provisions of the area.

Route 238 Corridor Improvement Project

The goal of the Route 238 Corridor Improvement Project is to improve traffic conditions along Foothill and Mission Boulevard between Interstate 580 (I-580) and Industrial Parkway. The project will reduce traffic congestion, improve traffic operations at key intersections, improve access to Cal State Hayward, provide for bicycle access along Mission and Foothill Boulevards, and improve pedestrian access in the downtown area. The most significant changes (i.e. increasing road from three to four lanes by introducing new parking/peak hour lanes, conversion of two-way road to one-ways, removal of existing median islands, eliminating turn lanes, etc.) will take place along Mission Boulevard north of Carlos Bee Boulevard, On Jackson Street, and along Foothill Boulevard.

Improvements on Mission Boulevard between Harder Road and Industrial Parkway (which includes the Form Based Code Project Area) will be more limited in scope, but will nevertheless have a

significant impact. According to the Environmental Impact report improvements within the FBC Project Area will include:[5]

- At the Mission Boulevard and Harder Road intersection, there will be three thru lanes and left turn lanes in each direction. To create the additional thru lanes, parking will be restricted north of the intersection for 600 feet and 200 feet along the east and west sides of Mission Boulevard respectively. Morning peak hour only parking restrictions will be installed on the west side of Mission Boulevard from 200 feet to 600 feet north of the intersection. South of the intersection, parking will be restricted for 600 ft on both sides of the street.

- At the Mission Boulevard and Tennyson Road intersection there will be three thru lanes in each direction, a single left turn from southbound Mission to eastbound Tennyson, dual left turns from northbound Mission to westbound Tennyson, and a dedicated right turn from southbound Mission to westbound Tennyson. North of the intersection, parking will be restricted 200 feet along the west side and 500 feet along the east side of Mission Boulevard. South of the intersection, parking will be restricted 400 feet along the east side of Mission Boulevard.

- Reconstruct sidewalks and curb and gutter along Mission Boulevard on both sides of the street; fill in missing sidewalk gaps to Industrial Parkway

- Improve bicycle access along portions of Mission Boulevard by providing a 14-foot lane along the proposed outside curbs.

- Remaining overhead utilities along Mission Boulevard will be relocated underground.

- The signal and the southbound left-turn lane at Jefferson Street. Jefferson Street will be removed and converted to right-in, right-out movements only by constructing a raised median island along Mission Boulevard.

- Conform to existing lanes and improvements at Valle Vista Avenue and signalize the intersection.

The proposed improvements will be done in three phases lasting approximately 30 months to complete. Improvements to Mission Boulevard along the PBC Project Area will be done during the third phase, 18 months into the construction project

[5] Route 238 Corridor Improvement Project Final Environmental Impact Report, October 2007

Retail Market Summary

Hayward retail sector has experienced significant growth since 2000. The city has added approximately 800,000 square feet of new retail space in the past 8 years and occupied retail space has grown approximately seven to nine percent since the year 2000, compared to five percent growth countywide. Hayward's retail sector, however, appears more susceptible to economic fluctuations. Vacancy rates of retail space, for example, tend to be lower than the rest of the county during good times, but higher during difficult periods. Also, in terms of taxable sales, following the burst of the dot-com bubble and the September 11, 2001 terrorist attacks, the local retail sector experienced a decline that was more severe than the rest of the county as a whole. Moreover, the subsequent recovery of the retail sector that began in 2003 was not as robust in Hayward as the rest of the county overall. This was the case despite the fact that Hayward is a regional destination attracting regional shoppers particularly for building materials and motor vehicles and parts. In fact, despite severe declines, taxable sales of motor vehicles and parts continue to be the largest source of taxable retail sales in the city. Nevertheless, for other retail categories, such as food stores and eating and drinking places, there is some leakage of potential sales as Hayward residents spend their monies elsewhere.

Within the Project Area the retail sector is performing well relative to the rest of the city. Vacancies are relatively low but so are asking rents. Average rents per square foot are approximately $5 lower than the res of the county fluctuating between $20 and $30 per square foot varying by type of building type. An auto dealership for example may command rents of $8-$13 per square foot, while a neighborhood center such as Mission Plaza and Fairway Park may command between $27 and $35 per square foot. Older shopping centers in the area command rents between $20 and $27 per square foot.

Overall, the retail sector within the Project Area has not kept up with the rest of the city. Despite robust growth in population and incomes, the presence of the BART station and the high number of Mission Boulevard commuters, retail has not grown within the Project Area. Practically no new retail space (only 2.8 percent growth) has been built since the year 2000 and occupied space has in fact declined.

The sluggish growth of retail within the Project Area can be attributed primarily to the following factors:

- *Limited catchment area.* Despite population and income growth that surpassed the rest of the city, the area's biggest limitation is the fact that it is a 180 degree market area. Most retail centers draw customers from every direction in a 360 degree market area. The geography of

the area, with the hills to the east, means that the Project Area is only able to draw customers from one half of the typical catchment area.

- *Location relative to Freeway.* Another challenge for the area is the fact that it is not located in proximity to a major freeway, which could allow it serve a larger market. Its location means that potential customers must drive by numerous retail centers before reaching the Project Area.

- *Lack of critical mass.* Successful retail requires continuous retail that creates a sense of place that is inviting to potential customers. Incompatible surrounding uses, underutilized retail spaces, and vacant lots create a lack of continuity and dilute the critical mass of retail needed at the street level to attract a larger customer base. Despite its location along a major thoroughfare, the Project Area is currently unable to attract a larger customer base as some potential customers drive through the area on their way to other retail destinations.

Fortunately, none of these challenges is insurmountable, and the City of Hayward has been very proactive in addressing theses challenges. Some of the policies currently in place will ameliorate the challenges and will create opportunities for expansion of retail within the trade area. For example, while residential expansion to the east of the Project Area is unlikely given all the issues faced by developers who have tried to build on the Hayward hills, it is still possible to address the issue of having a 180 degree catchment area. The adoption of the concept design plan, which will encourage higher density residential development, will help to expand the customer base that is necessary to support additional retail in the area. Also by encouraging mixed-use, the CDP will encourage the continuity of retail needed at the street level to attract a larger customer base. The development of the BART village, which is in its early stages, but underway, will be the catalytic investment in the area. This project has the potential to change the market perception of this area.

Public investment in the area, in the form of the planned streetscape improvements along Mission Boulevard, will further improve the attractiveness of the area for retail. The streetscape improvements will also improve traffic flow and will increase the connectivity to surrounding neighborhoods. This is particularly true for sites located close to key intersections along mission (Harder Road, Tennyson Road, and Industrial Parkway).

In general, the parcels on the west side of Mission are better suited for retail development, as development on the east side is limited by the topography of the site. The intersections of Mission Boulevard and Harder Road, Tennyson Road, and Industrial Parkway, represent excellent

opportunities for retail as these road arteries are the main linkages to the surrounding neighborhoods. In the near-term these sites also represent challenges as they are currently underutilized.

Project Area Retail Demand Forecast

In this section, ERA estimates retail demand for the 2010 to 2030 period taking into account the factors discussed in the retail market summary section. Growth in demand for retail stores is generally a function of the size of a market area and the average retail spending for different retail sectors. Some shopping districts have a competitive advantage over others in capturing the demand growth due to their location, size, retail mix, visibility, branding and other attributes. Our forecast focuses on demand for retail such as apparel, general merchandise & drug stores, restaurants and other types of retail that can be incorporated into the Project Area as part of mixed used projects or as neighborhood, or community shopping centers. Demand projections exclude demand for auto-dealers and supplies and service stations. The methodology of ERA's retail demand analysis for the Project Area is as follows:

- The projection of Alameda County's population growth, derived from ABAG, provides the basic input into the demand forecast.

- Estimates of per capita retail spending by retail category were then determined based upon actual Alameda County taxable sales experience, which includes the contribution of visitors and shoppers from outside the market area. ERA estimated spending for items that are not subject to sales tax such as food, groceries, and prescription drugs. Per capita retail spending is assumed to increase as incomes in the area increase. An annual growth rate of one quarter of a percent is assumed through the first 10 years, and half of one percent thereafter.[6]

- The aggregate retail demand growth is then calculated by multiplying the County's population growth by the expected per capita retail sales.

- The growth in retail demand between years, expressed in sales, is then converted to retail square footage demand based on estimated sales per square foot per year factor for each retail category.

[6] This is a conservative assumption. Average real income annual growth between 1993 and 2006 in the United States was 1.9 percent. Average real income annual growth between 1990 and 2008 in the PMA was 1.3 percent and 1.7 percent countywide.

- ERA then estimates Hayward's potential market share in each retail category. ERA assumes that Hayward's market share of County sales will remain constant through the period of analysis. This assumption is relatively conservative. Although the city's share of the county's taxable sales has been declining, it is reasonable to expect that the city will work to improve its competitiveness and capture a larger share of the county's taxable sales or at the very least maintain its current share. There is evidence that the city is moving in this direction, for example, the city is moving forward with the development of a citywide retail marketing strategy.

This analysis is detailed in **Table IV-6** and **Table IV-7** for the 2010 to 2020 and 2020 to 2030 time periods respectively. This analysis indicates that Hayward is able to support approximately an additional 500,000 square feet of retail space in the short term through 2020. In the long term (2020 to 2030), Hayward can support an additional 685,000 square feet of new retail space. Overall, the city of Hayward's retail demand analysis shows potential for approximately 1.19 million square feet of retail over the next 20 years. This would represent an increase of approximately 16 percent over the existing supply of retail space.

Given projected population and income growth in the primary market area, ERA estimates that the Project Area could capture approximately 14 to 19 percent of total citywide retail demand over the next two decades. See **Table IV-8**. From 2010 to 2030, ERA's demand analysis shows potential for approximately 170,000 to 205,000 square feet of retail and restaurants, with the bulk of that demand materializing over the 2020-2030 period.

Table IV-6 Hayward Retail Demand Forecast: 2010-2020

		2010	2020					
Alameda County Population		1,549,800	1,705,900	Growth in Demand from 2010 to 2020				
Real Income Adjustment[a]		1.000	1.025	Alameda County Demand Growth and Hayward Capture				
	Per Capita[b]	Total Market Area Demand		Gain in Sales	Annual Sales/SF[c]	Gain in Sq Ft	Hayward Market Share[d]	Sq Ft
Apparel Stores	0.439	$679,610	$766,976	$87,366	$300	291,218	10.4%	30,380
Gen. Merchandise & Drug	1.554	2,408,404	2,718,010	309,606	275	1,125,840	13.2%	148,052
Food Stores	1.583	2,454,001	2,769,469	315,468	450	701,039	7.9%	55,325
Eating & Drinking Places	1.286	1,992,727	2,248,897	256,170	400	640,425	8.0%	51,179
Furnishing & Appliances	0.534	827,665	934,063	106,398	275	386,903	9.8%	38,098
Bldg Materials & Farm Eqmt	0.990	1,534,919	1,732,237	197,318	275	717,518	12.8%	92,163
Auto Dealers & Supplies	1.917	2,970,483	3,352,346	381,863	NA	NA	12.1%	NA
Service Stations	1.205	1,867,768	2,107,874	240,106	NA	NA	10.9%	NA
Other Retail Stores	1.903	2,949,711	3,328,903	379,192	300	1,263,975	7.0%	88,463
Total Retail Stores	**$11.411**	**$17,685,289**	**$19,958,776**	**$2,273,486**		**5,126,919**		**503,659**
Total Retail and Restaurant Demand in Hayward								**503,659**

[a] ERA assumes annual real income growth of 0.25 percent between 2010 and 2020 and 0.5 percent between 2020 and 2030. This is a conservative assumption. Average Real Income Annual growth between 1993 and 2006 in the United States was 1.9 percent. Average Real Income Annual growth between 1990 and 2008 in the PMA was 1.3 percent and 1.7 percent countywide.

[b] Based on 2007 retail sales percapita. General Merchandise and Drug taxable sales are adjusted by three percent to account for non-taxable sales. Food store taxable sales are adjusted by a factor of three.

[c] Industry standards

[d] Hayward's share is based on its 2007 share of taxable retail sales.

Source: ABAG, California Board of Equalization, ERA

Table IV-7 Hayward Retail Demand Forecast: 2020-2030

		2020	2030					
Alameda County Population		1,705,900	1,874,600	Growth in Demand from 2020 to 2030				
Real Income Adjustment[a]		1.025	1.078	Alameda County Growth and Hayward Capture				
	Per Capita[b]	Total Market Area Demand		Gain in Sales	Annual Sales/SF[c]	Gain in Sq Ft	Hayward Market Share[d]	Sq Ft
Apparel Stores	0.439	$766,976	$885,926	$118,950	$300	396,500	10.4%	41,363
Gen. Merchandise & Drug	1.554	2,718,010	3,139,545	421,535	275	1,532,855	13.2%	201,575
Food Stores	1.583	2,769,469	3,198,985	429,516	450	954,480	7.9%	75,326
Eating & Drinking Places	1.286	2,248,897	2,597,678	348,780	400	871,951	8.0%	69,681
Furnishing & Appliances	0.534	934,063	1,078,926	144,863	275	526,776	9.8%	51,871
Bldg Materials & Farm Eqmt	0.990	1,732,237	2,000,889	268,652	275	976,916	12.8%	125,482
Auto Dealers & Supplies	1.917	3,352,346	3,872,260	519,914	NA	NA	NA	NA
Service Stations	1.205	2,107,874	2,434,784	326,909	NA	NA	NA	NA
Other Retail Stores	1.903	3,328,903	3,845,181	516,278	300	1,720,927	7.0%	120,444
Total Retail Stores	**$11.411**	**$19,958,776**	**$23,054,174**	**$3,095,398**		**6,980,404**	**9.8%**	**685,743**
Total Retail and Restaurant Demand in Hayward								**685,743**

[a] ERA assumes annual real income growth of 0.25 percent between 2010 and 2020 and 0.5 percent between 2020 and 2030. This is a conservative assumption. Average Real Income Annual growth between 1993 and 2006 in the United States was 1.9 percent. Average Real Income Annual growth between 1990 and 2008 in the PMA was 1.3 percent and 1.7 percent countywide.

[b] Based on 2007 retail sales percapita. General Merchandise and Drug taxable sales are adjusted by three percent to account for non-taxable sales. Food store taxable sales are adjusted by a factor of three.

[c] Industry standards

[d] Hayward's share is based on its 2007 share of taxable retail sales.

Source: ABAG, California Board of Equalization, ERA

Table IV-8 Project Area Retail Demand Forecast: 2010-2030

	2010-2020					2020-2030					Total 2010-2030				
	Citywide	Project Area				Citywide	Project Area				Citywide	Project Area			
	Demand	Capture Low	Capture High	Demand Low	Demand High	Demand	Capture Low	Capture High	Demand Low	Demand High	Demand	Capture Low	Demand Low	Capture High	Demand High
Apparel Stores	30,380	10%	12%	3,038	3,646	41,363	10%	12%	4,136	4,964	71,743	10%	7,174	12%	8,609
Gen. Merchandise & Drug	148,052	15%	18%	22,208	26,649	201,575	15%	18%	30,236	36,284	349,627	15%	52,444	18%	62,933
Food Stores	55,325	20%	24%	11,065	13,278	75,326	20%	24%	15,065	18,078	130,651	20%	26,130	24%	31,356
Eating & Drinking Places	51,179	20%	24%	10,236	12,283	69,681	20%	24%	13,936	16,723	120,860	20%	24,172	24%	29,006
Furnishing & Appliances	38,098	10%	12%	3,810	4,572	51,871	10%	12%	5,187	6,225	89,969	10%	8,997	12%	10,796
Bldg Materials & Farm Eqmt	92,163	10%	12%	9,216	11,060	125,482	10%	12%	12,548	15,058	217,645	10%	21,764	12%	26,117
Auto Dealers & Supplies	NA	NA		NA	NA	NA	NA		NA	NA	NA	NA	NA	NA	NA
Service Stations	NA	NA		NA	NA	NA	NA		NA	NA	NA	NA	NA	NA	NA
Other Retail Stores	88,463	15%	18%	13,269	15,923	120,444	15%	18%	18,067	21,680	208,907	15%	31,336	18%	37,603
Total Retail Stores[a]	**504,000**	**14%**	**17%**	**73,000**	**87,000**	**686,000**	**14%**	**17%**	**99,000**	**119,000**	**1,189,000**	**14%**	**172,000**	**17%**	**206,000**
Total Retail and Restaurant Demand in Project Area													**172,000**		**206,000**

[a]Rounded to the nearest thousand.

Source: ERA

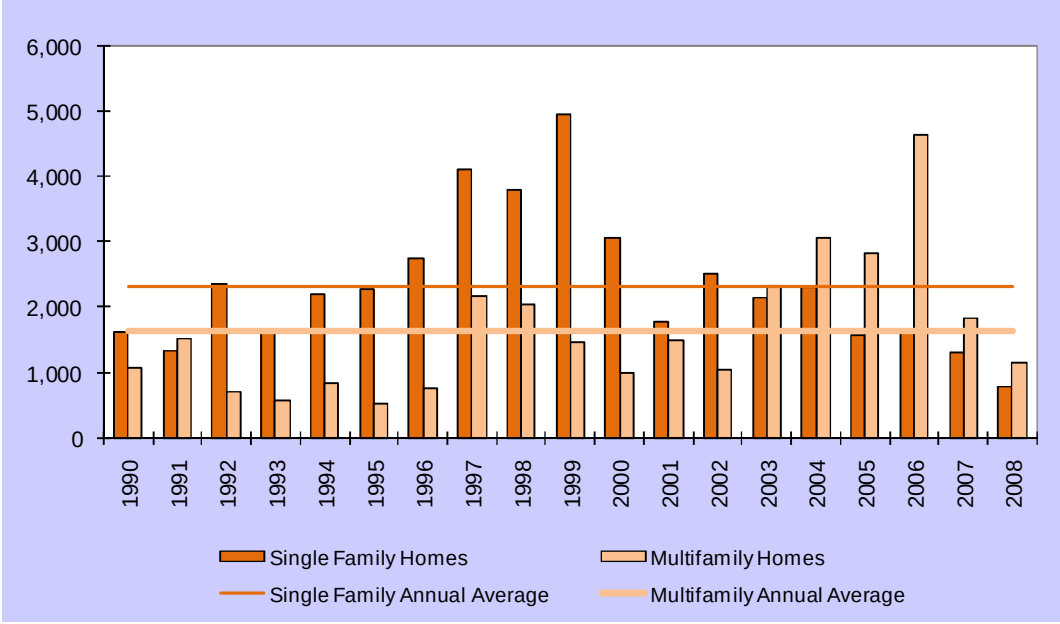
V. Residential Market Assessment

In this section, ERA reviews current trends in the residential real estate market for both Alameda County and the City of Hayward, including building permits, occupancy, absorption, lease and sales rates, and buyer characteristics for multifamily housing.

Building Permit Trend in Alameda County

The number of building permits issued for residential construction is one indicator of trends in the local housing market. Since 1990, Alameda County has averaged approximately 4,000 residential building permits per year. During this period, the County experienced two periods of strong housing activity from 1997 to 1999, with an average of nearly 6,200 units permitted per year, and from 2003 to 2003, with an average of more than 5,100 units permitted per year. These two periods of construction acceleration differ not only in their cause but also in their composition. The first residential building boom was mostly fueled by the Bay Area's high tech boom of the late 1990s. The later was partly fueled by the housing bubble that the country experienced between 2003 and 2006. In contrast to the 1997-1999 period, construction during 2003-2006 was dominated by multifamily residential units. Construction has slowed down significantly since 2007. See **Figure V-1**.

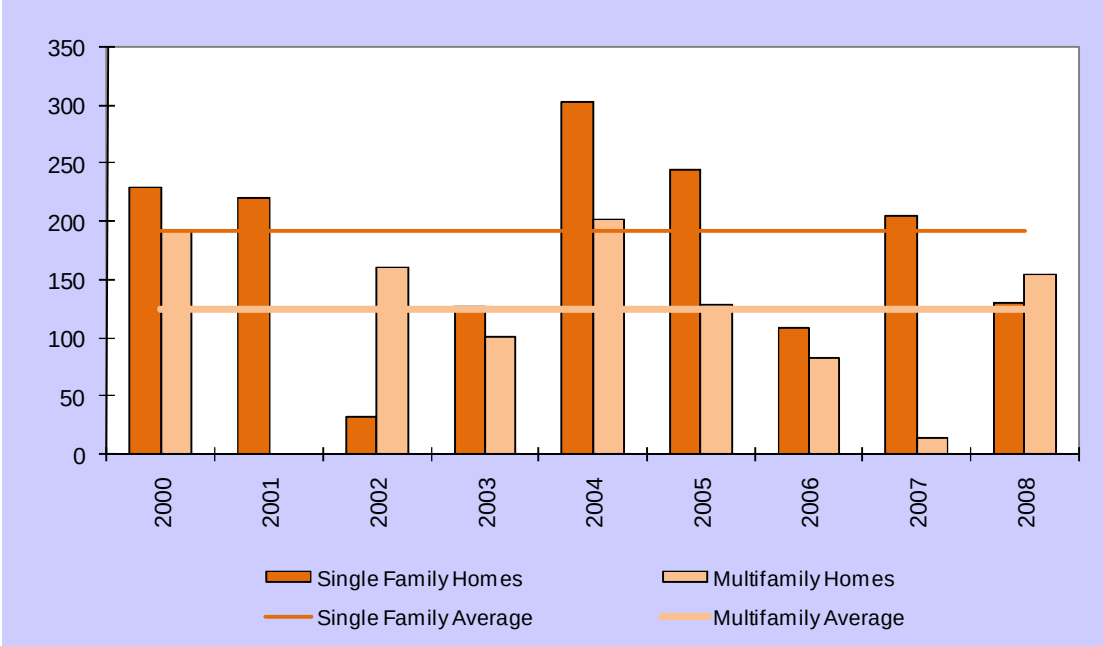
Figure V-1 Total Building Permits Issued in Alameda County, 1990-2008



Source: U.S. Department of Housing and Urban Development

On average, the City of Hayward has added 317 net new housing units per year since 2000.[7] The strongest years, in terms of new housing units completed, were in 2004 and 2005 when approximately 500 and 370 net new units were issued to the housing stock respectively. In contrast to Alameda County, where new construction since 2003 has been dominated by multifamily projects, new construction in the City of Hayward has been dominated by single-family projects. See **Figure V-2**.

Figure V-2 City of Hayward Residential Building Permits Issued, 1990-2008

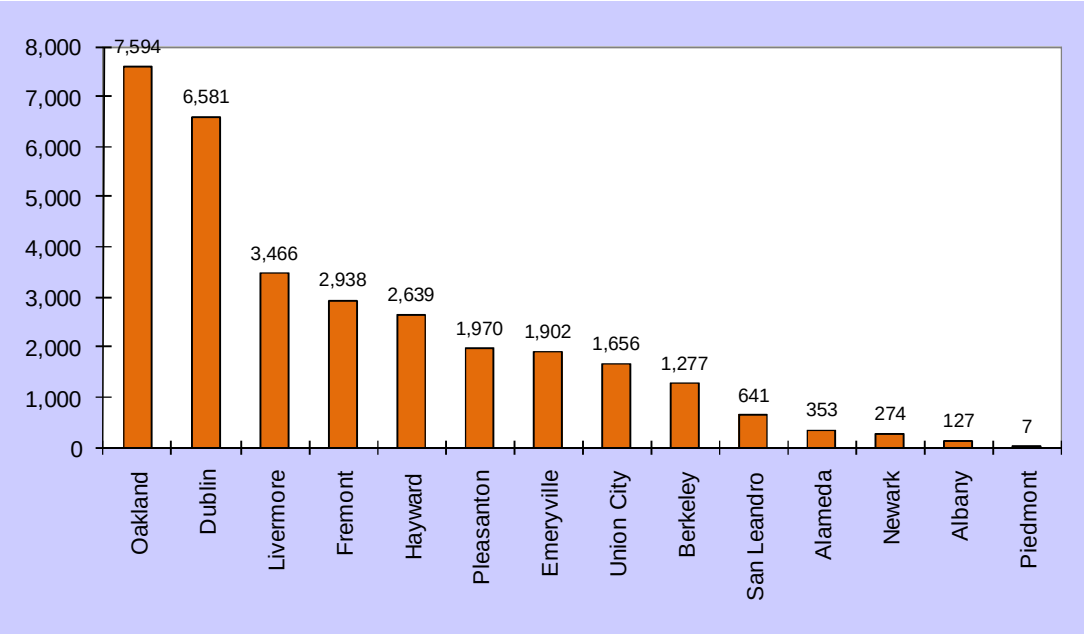


Source: California Deparment of Finance

As shown in **Figure V-3** the City of Hayward has been very proactive in developing housing new housing units. Overall, Hayward accounts for eight percent of total net new residential units in Alameda County since April 2000. Hayward accounts for approximately 13 percent of new single family (detached) residential units in the County and five percent of new multifamily residential (including single family attached) units since 2000.[8] The city has been able to produce a significant number of multifamily units since 2000. On average the city has produced 124 net new units of multifamily residential units (including single family attached), surpassing most other cities in Alameda County except for Oakland, Dublin, Emeryville, Fremont, Berkeley, and Livermore.

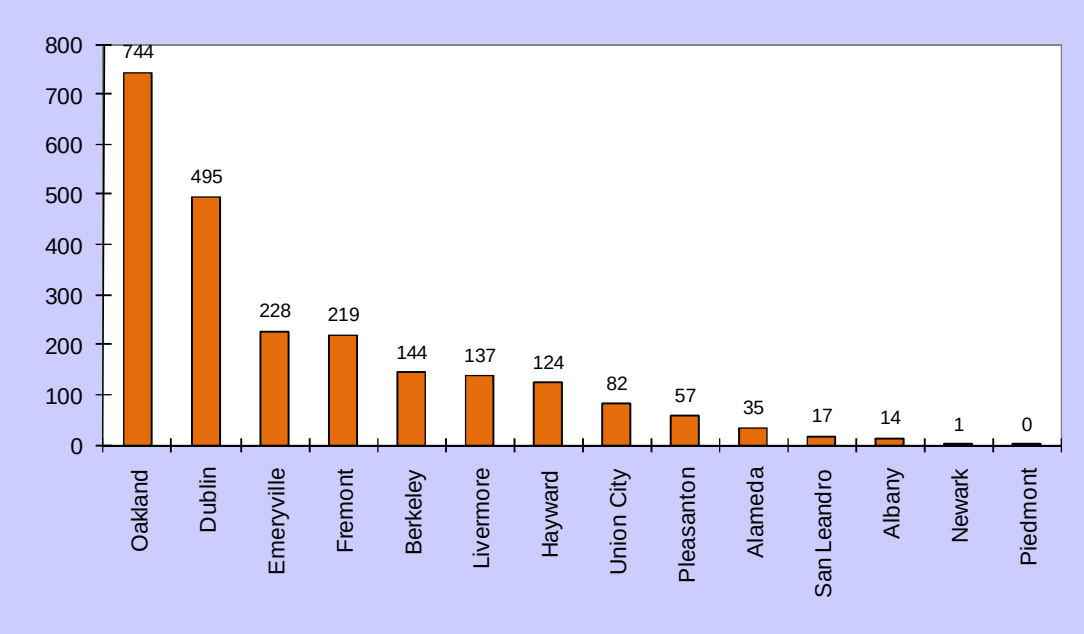
[7] Data on new residential units is from the California Department of Finance (DOF). These data is based on new construction and annexations less demolitions and conversions.
[8] The California DOF breaks down single family housing into detached and attached (e.g. townhomes etc.) In this section, ERA assumes counts attached single family housing as multifamily housing.

Figure V-3 Net New Residential Units by Jurisdiction, 2000 - 2009



Net new units between April 2000 and January 2009.
Source: California Department of Finance.

Figure V-4 Average Annual New Multifamily Residential Units by Jurisdiction, 2000 - 2009



Net new units between April 2000 and January 2009. Includes attached single family units.
Source: California Department of Finance.

For Sale Market

ERA also reviewed the performance of the residential real estate market. The regional housing market experienced the same run-up in prices that was experienced throughout the rest of the state and country through the first part of the decade. Between 1999 and 2006 median prices of single family homes increased 125 percent throughout Alameda County. Median prices of condominiums meanwhile increased almost 140 percent during the same period. The increase was more dramatic in the City of Hayward. The median price of single family homes increased 165 percent between 1990 and 2006. The median price of condominiums increased 139 percent during the same period. Since 2006 prices have been steadily declining. The median price of single family homes in Alameda declined 27 percent between 2006 and 2008. By comparison, in Hayward the median price declined 44 percent between 2006 and 2008. See **Figure V-5** and **Figure V-6**. The downward trend has continued through much of 2009. See **Figure V-7** and **Figure V-8.** As a result, median prices of single family homes and condominiums are now back to 2000 price levels. The East Bay Association of Realtors reports that the median single family home price in Hayward for July was $257,400. As of the last day of July there were 218 active homes in Hayward. At current selling rates this means there is approximately one month of inventory in remaining.[9] The median attached home price in Hayward for July was $150,000. As of the last day of July there were 87 active homes in Hayward. At currently selling rates this means there is approximately one month of inventory remaining.

The median sales price of single family homes in Hayward during the last year was approximately $216 per square foot. The median sales price of multifamily homes was $150. There is of course great variability in prices.

Figure V-9 and **Figure V-10** show the sales price per square foot (by quintile) for single- and multifamily homes between June 2008 and July 2008. The following observations can be made:

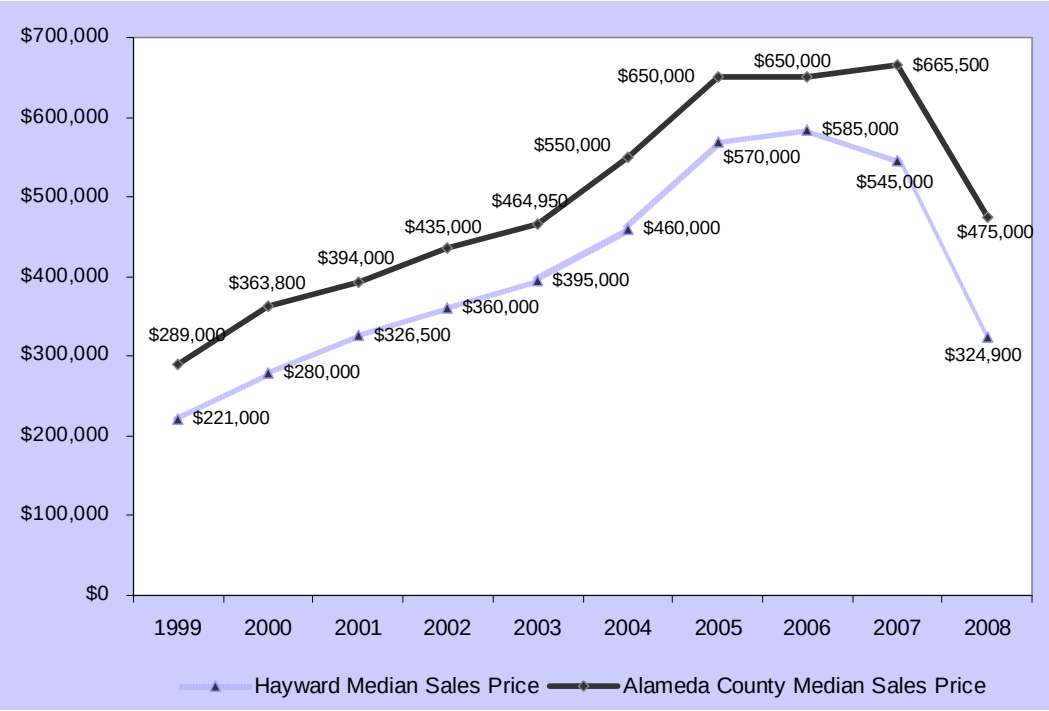
- There is great variability in single family home values within the trade area. There are homes sold in every quintile range.
- The higher priced product (4th and 5th quintiles) in terms of single family homes is located in the Fairway Park area which is bordered by Industrial Parkway, Whipple Road, and Mission Blvd and the BART tracks. There are also some higher priced homes in the northwest quadrant of the primary market area.

[9] This is significantly down from the previous year. In the last day of July 2008, there was more than five months supply outstanding.

- The area surrounding the BART station is dominated by lower priced single family homes.

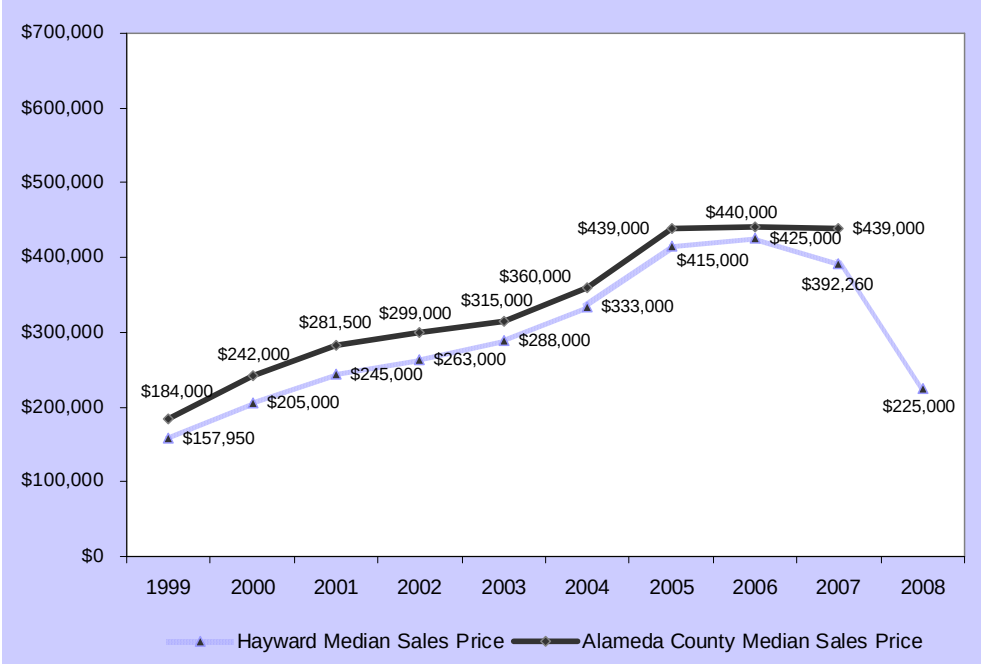
- Most multifamily sales transactions occurred outside of the primary market area. This can be expected given that most of the multifamily construction during the past decade has taken place in downtown. In fact, the higher end multifamily product is located in downtown Hayward. Lower priced multifamily homes are located west of Hesperian Boulevard and south of West Tennyson Road. Both of those areas have characteristics and development patterns that are very different from the Project Area. Downtown Hayward is more a walkable TOD area, while the area west of Hesperian Boulevard is more suburban.

Figure V-5 Single Family Homes Median Price: 1999-2008



Source: REReport.com

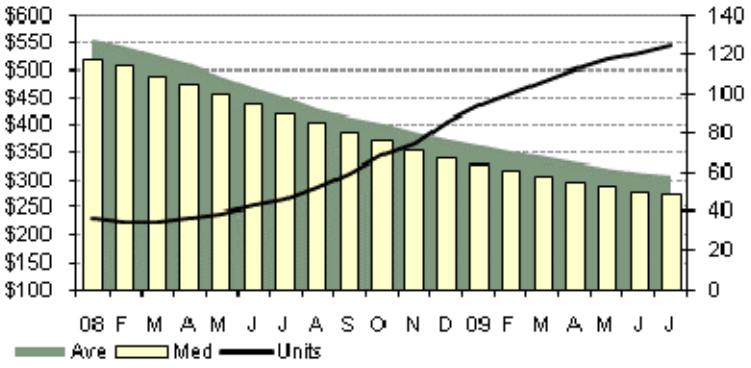
Figure V-6 Condominium Median Price: 1990-2008



Source: REReport.com

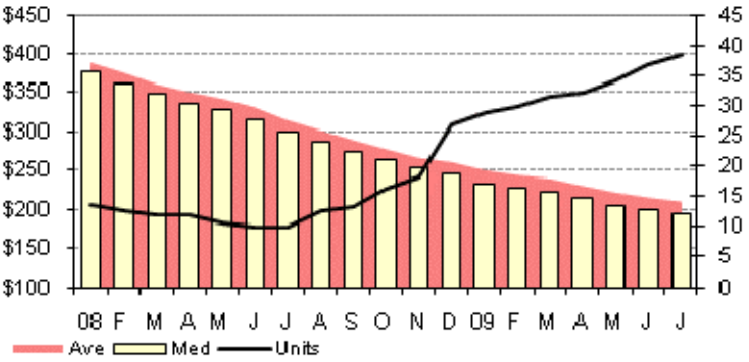
Figure V-7 Hayward's Single Family Prices and Sales: January 2008-July 2009

(12-month moving average - $000's)



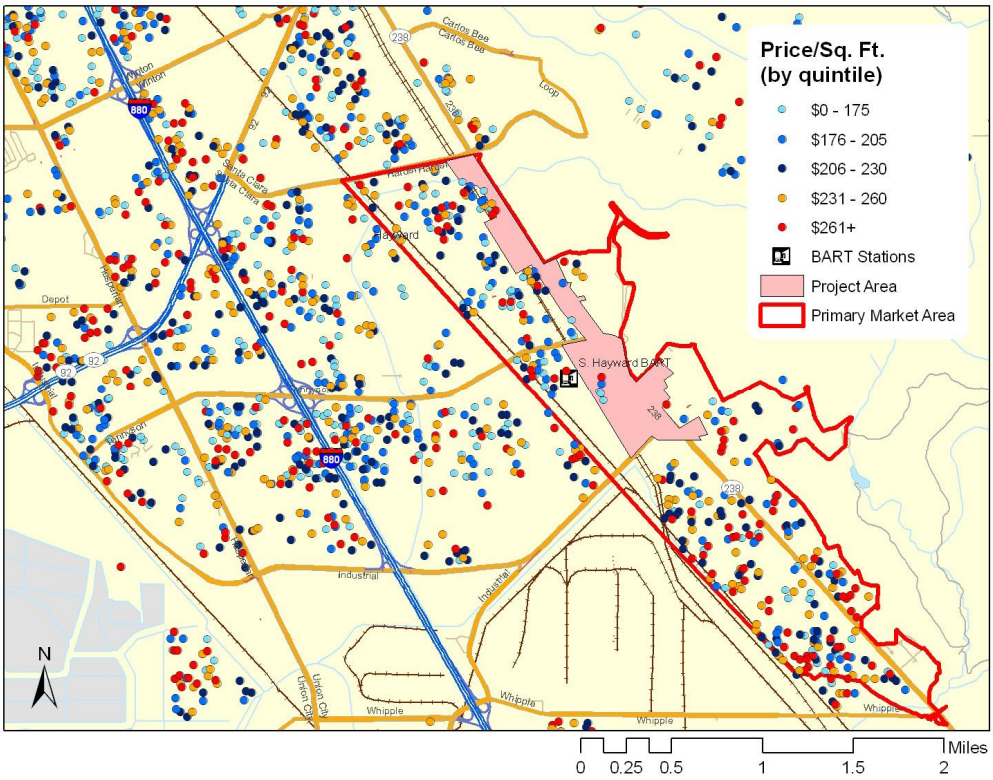
Source: REReports.com

Figure V-8 Hayward's Multifamily Prices and Sales: January 2008-July 2009



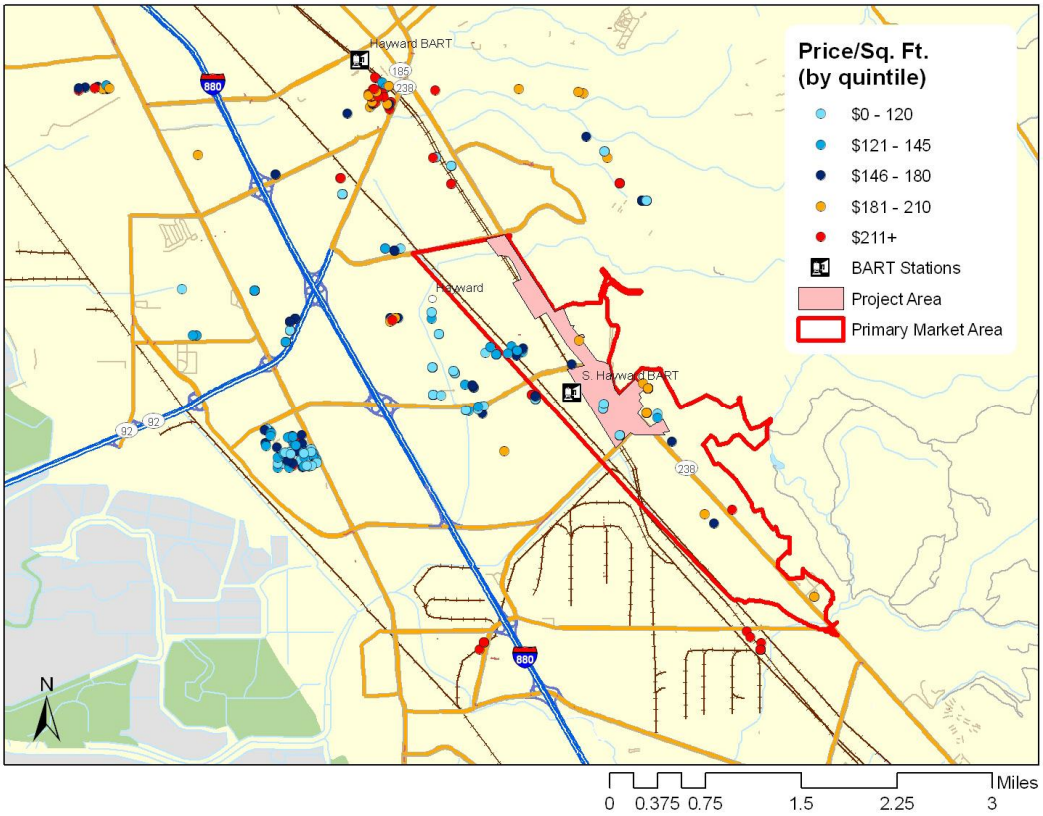
Source: REReports.com

Figure V-9 Single Family Home Sales Price per Square Foot, June 2008 - July 2009



Source: ESRI Business Analyst, ERA, Redfin.com

Figure V-10 Multifamily Home Sales Price per Square Foot, June 2008 - July 2009



Source: ESRI Business Analyst, ERA, Redfin.com

New Home Sales

ERA reviewed new residential projects currently in the cities of Fremont, Hayward, Newark, San Leandro, and Union City. **Figure V-11** shows the location of 17 residential projects throughout the area. This figure includes detached single family homes as well as attached homes condominiums and townhomes. Given the densities prescribed by the CDP, we focus on the market for condominiums and townhomes.

ERA identified six projects currently selling multifamily residential units. These include Crossings and Garden Walk in Hayward, Village Walk in San Lorenzo, Towns-Rosewood in Fremont, and Alvarado Square and Mote Vista Villas in Union City. **Table V-1** presents a summary of these developments. The data presented in that table is as of May 2009. This information was supplemented with interviews with representatives of the projects.

Crossings

This is a project with 122 two- and three-bedroom townhome style condominiums. List base price is approximately $450,000. The last release of units was on August 2009 and prices are slightly higher as sales volume has been increasing during the past few months. Overall this is the project with the highest monthly sales averaging 2.3 from June 2007 through May 2009. During the second quarter of 2009 approximately 7.5 units per month were sold. One of the biggest advantages of this project is its central location. Units average 1,719 square feet with 2.7 bedrooms, and 2.5 baths. Units have two-space garages. There are 18 units per acre at this project. Three-bedroom units have been selling much better than two-bedroom units. Two-bedroom units are seen as a niche for young or empty nester retirees.

Garden Walk

This is a project with 48 3-4 bedroom units located near Harder Rd. Sales have not been as strong as other projects analyzed. This project has been releasing units since April 2007, selling approximately 1.3 units per month. Sales picked up during the second quarter of 2009. The project is currently selling approximately 1 unit per month. Prices range between $360,000 and $420,000. Units over $400,000 are the most difficult to sell in the current market conditions. This project has approximately 21 units per acre.

Towns-Rosewood

This is a project that combines single family homes (Rosewood Cottages) and multifamily, townhome-style condominiums (Rosewood Towns). The Townhomes, which were priced in the $400,000 to $450,000 price range, have sold out. By comparison, there are still 24 single family units still available. Overall sales at this project have been slow (1.2 units per month since July 2008). First-time home buyers are the predominant buyers, but there are some retirees as well and some large families.

Alvarado Square

This is a mixed-use community with 18 one- and two-bedroom units selling between $300,000 and $450,000. The project is currently sold out. The majority of the buyers were in the mid-twenties to mid-thirties. Higher floors were generally preferred and the lower floor units were the most difficult to sell. Buyers cited the mixed-use nature of the project as one of the attractive features of the project.

Figure V-11 New Residential Sales Currently on Market

Source: ESRI Business Analyst, ERA, Real Estate Economics

Table V-1 Multifamily Residential Projects Selling Units as of May 2009

DEVELOPMENT	DESCRIPTION	SALES INFORMATION						PRICING INFORMATION					FLOOR PLAN CHARACTERISTICS					MIN	MIN
		TOTAL	UNITS	UNITS	UNITS	MONTHLY SALES		LIST	MINUS	ADVERTISED/	PRICE/	TYPICAL	SIZE	BEDRM.	BATH	NO. OF	GARAGE	LOT SIZE	LOT
		UNITS	OFF'D	SOLD	AVAIL.	QUARTER	OVERALL	BASE	CONCESS.	CONCESS.	SQ.FT.	PREMIUMS	(SQ.FT.)	COUNT	COUNT	LEVELS	SPACES	(SQ.FT.)	DIM.
Hayward																			
Crossings	2- and 3-bedroom tow nhome-style condominiums @ Hesperian Blvd & Eden Shores Blvd	122	62	54	8	7.5\mo.	2.3\mo.	$447,419	$442,419	$5,000	$261.06	$10,000	1,719	2.7	2.5	2.0	2.0	18/ac.	18/acre
Garden Walk	3-4 bedrooms & 2.5-4 bathrooms from 1,335 to 1,765 square feet and tw o-car garage @ W Harder Rd & Cypress Rd	48	35	31	4	3.9\mo.	1.3\mo.	$402,655	$389,655	$13,000	$257.29		1,574	3.0	2.9	3.0	2.0	21/ac.	21/acre
San Lorenzo																			
Village Walk - TH	Tw o story tow nhomes from 1,463 to 1,769 sq. ft. w ith tw o-car garage @ Bockman Rd & Hesperian	28	20	18	2	2.6\mo.	1.4\mo.	$417,000	$402,000	$15,000	$264.74	$20,000	1,585	3.0	2.5	2.0	2.0	18/ac.	18/acre
Fremont																			
Tow ns - Rosew ood	Tow nhome-style condominums 2-3 bedroom from 1,176 to 1,576 sq. ft. @ Fremont Blvd & Stevenson	12	12	12	0	0.9\mo.	1.2\mo.	$438,847	$433,847	$5,000	$313.63		1,400	2.8	3.3	2.5	2.0	18/ac.	18/acre
Union City																			
Alvarado Square	Condominum/retail community w ith 1-2 bedroom units up to 1,190 sq. ft. @ Union City Blvd & Whipple Rd	18	18	14	4	1.5\mo.	0.7\mo.	$282,333	$274,833	$7,500	$265.02	$10,000	1,089	1.5	1.5	1.0	1.0	18/ac.	18/acre
Monte Vista Villas	1-3 bedroom condominums from 785 to 1,288 sq. ft. w ith one car garage @ Alvarado-Niles & Osprey Dr	73	73	70	3	1.5\mo.	2.2\mo.	$287,808	$287,808	$0	$319.45	$25,000	901	2.0	1.7	1.0	1.0	12/ac.	12/acre
OVERALL AVERAGES:		***50.2***	***36.7***	***33.2***	***3.5***	***3.0\mo.***	***1.5\mo.***	***$379,344***	***$371,760***	***$7,583***	***$280***	***$16,250***	***1,378***	***2.5***	***2.4***	***1.9***	***1.7***	***1,538***	***18***
GRAND TOTALS:		***301***	***220***	***199***	***21***	***17.9\mo.***	***9.0\mo.***	***$427,735=wtd.avg.***				***$261.11/sf=wtd.avg.***			***1,646sf=wtd.avg.***				

Note: community sales reflects total monthly sales for all individual new home developments w ithin the community.
Note: Monthly Costs assume 80.00% LTV and 6.500% fixed 30yr. mortgage.
Dens, bonus rooms, lofts, etc. are counted as bedrooms
Source: Real Estate Economics, ERA

Rental Housing Market

ERA also analyzed sales and rental trends in selected multi-family residential projects in the region. Construction of new rental multifamily units has been strong since the year 2000. ERA identified 22 new projects build across the county during this period. Almost seven percent of the total number of units were built in the City of Hayward. Both of those projects, Amador Village Court and Pinnacle City Center, are located in the north part of the city.

As illustrated by **Table V-2** new construction tends to concentrate close to mass transit (i.e. BART Stations). With the exception of the projects in Emeryville most new apartment rentals were built within a mile radius of BART stations.

Table V-2 New Rental Projects in Alameda County Built since 2000[10]

Community Name	Address	City	Built	Units	Distance to BART
AMADOR VILLAGE COURT	24080 Amador Village Court	Hayward	2000	155	1.3
PINNACLE CITY CENTER	22800 Meridian Dr.	Hayward	1999	192	0.3
AVALON UNION CITY	24 Union Square	Union City	2009	438	0.2
ARCHSTONE FREMONT CENTER	39410 Civic Center Drive	Fremont	2001	322	0.2
KENSINGTON APARTMENTS	1552 East Gate Way	Pleasanton	2003	100	4.5
AVALON DUBLIN STATION	5300 Iron Horse Parkway	Dublin	2008	305	0.2
IRONHORSE TRAIL	6233 Dougherty Road	Dublin	2002	177	0.9
WATERFORD PLACE	4800 Tassajara Road	Dublin	2002	390	2.0
ACTON COURTYARD	1370 University Avenue	Berkeley	2003	71	0.3
ALLSTON PLACE	2161 Allston Way	Berkeley	2002	60	0.1
THE GAIA BUILDING	2116 Allston Way	Berkeley	2001	91	0.1
LIBRARY GARDENS	2020 Kittredge Street	Berkeley	2007	176	0.2
AVENUE 64	6399 Christie Avenue	Emeryville	2007	224	1.9
BAY STREET APARTMENTS BY WINDSOR	5684 Bay Street	Emeryville	2006	284	2
COURTYARDS AT 65TH STREET	1465 65th Street	Emeryville	2004	331	2
ICON AT PARK	1401 Park Avenue	Emeryville	2007	54	1.3
ALLEGRO AT JACK LONDON SQUARE	208 Jackson Street	Oakland	2001	310	0.4
AQUA VIA	125 2nd Street	Oakland	2006	100	0.4
LANDING AT JACK LONDON SQUARE	101 Embarcadero West	Oakland	2000	282	0.4
THE UPTOWN APARTMENTS	500 Williams Street	Oakland	2008	665	0.1
THE GRAND	100 Oakland Avenue	Oakland	2008	238	0.9
BROADWAY GRAND	430 W. Grand Avenue	Oakland	2008	115	0.3
Total				5080	

Source: RealFacts

[10] List only includes projects with more than 50 units. Pinnacle Center was completed in 1999 but was also included in the list.

To narrow the focus of the analysis ERA analyzed the multifamily rental market by examining data on all rental properties with more than 50 units in zip code 94544 which includes the primary market area and the Project Area. See **Table V-3**. The data analyzed includes 34 apartment buildings with more than 3,500 units. These apartment complexes were built between 1954 and 2000 were analyzed. The last significant apartment complex to be built in this zip code was the Amador Apartments complex (north of Winton Avenue.) The apartment complexes analyzed ranged in size from 54 to 523 units. The average number of units was 103.

Vacancy

Through out the Bay Area, vacancy rates have followed a v-pattern since the year 2000. The area experienced the highest occupancy (higher than 98 percent) at the peak of the dot-com boom in the year 2000. Occupancy rates declined steadily and during the next four years, except for a brief increase in 2003. At first this decline was due to the dot-com bust, but then it was partially caused by the housing boom which allowed many people who would otherwise rent to move into their own homes. As the for-sale housing market began to cool down in the market area, occupancy began to improve although it would not reach the levels of the early decade. Vacancy rates in the area have fluctuated between 5.3 percent and 1.9 percent since 2000. Since 2005, vacancy has been below five percent. Vacancy increased from 4.2 to 6.2 percent between 2008 and the second quarter of 2009.

Apartments within zip code 94544 have a lower occupancy than the rest of the city of Hayward and one of the highest in the Alameda County. Only Dublin, Oakland, Pleasanton, and a portion of Hayward (zip code 94541) have higher vacancy rates. See **Table V-4**.

Rents

Average rents in the market area followed v-pattern similar to the rest of the Bay Area, declining almost 14 percent between 2001 and 2005 and then gaining most of it back between 2005 and the second quarter of 2009. In other parts of Alameda County, rental rates have declined during the first half of 2009 as renters look for more affordable rents elsewhere. Rents in zip code 94544 have continued to increase. As of the second quarter of 2009 average rent per unit was $1,245 ranging from approximately $1,000for a studio/Jr. one-bedroom to $1,500 for a three-bedroom unit.

The area remains an affordable palace to rent. As of the second quarter of 2009, Hayward had the second lowest average monthly rental rates in Alameda County. This has been a general trend as shown in **Figure V-12**. Average rents in zip code 9544 have been 20 to 30 percent lower than northern Alameda County (Albany, Berkeley, El Cerrito, and Emeryville) and seven to 15 percent

lower than southern Alameda County (Newark, Fremont, and Union City). Within the City the City of Hayward, Zip Code 94544 commands the highest rents.

During 2009, rents per square foot in zip code 94544 have averaged $1.53, but there is variability according to the quality of the building. Class A buildings (ten years or newer) command average rents of $1.84 per square foot while apartments older than 20 years (Class C) are receiving $1.51 per square foot. In general, there are no significant differences in vacancies rates between Class A and Class C buildings.

New construction and planned units

The only significant developments planned for the area are the 205 single family unit developments at Garin Vista and La Vista, and the BART station village, which will create approximately 447 rental units including 206 rent-restricted affordable units.

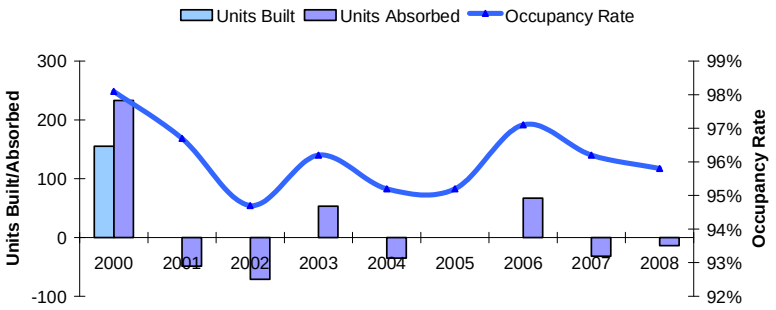
Table V-3 Rental Market Summary for Zip Code 94544, 2Q 2009

Properties/Units	34/3533	Average units per property	103
Class A	2/347	Average year built	1971
Class B	0	Size range	50-208
Class C	32/3186	Age range	1954-2000

Market Overview 2009 2Q

Unit Type	Units	% of Mix	Average Sq. Ft.	Average Rent	Avg. Rent/ Sq. Ft.
studio	44	1.20%	497	$964	$1.94
jr 1bd	70	2.00%	555	$1,050	$1.89
1bd 1bth	1,484	42.00%	697	$1,086	$1.56
2bd 1bth	737	20.90%	891	$1,268	$1.42
2bd 1.5bth	60	1.70%	843	$1,372	$1.63
2bd 2bth	784	22.20%	992	$1,468	$1.48
2bd TH	198	5.60%	882	$1,253	$1.42
3bd 1.5bth	17	0.50%	956	$1,586	$1.66
3bd 2bth	80	2.30%	1,152	$1,740	$1.51
3bd TH	59	1.70%	1,019	$1,492	$1.46

Construction absorption and Occupancy Rates



Rental Rate History by Unit Size

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2001-2009 % Change	2001-2009 Average
studio	$1,073	$974	$915	$874	$867	$885	$947	$988	$981	-8.57%	$945
jr 1bd	$650	$945	$872	$850	$872	$902	$950	$1,041	$1,050	23.00%	$904
1bd 1bth	$1,160	$1,043	$978	$955	$955	$982	$1,030	$1,082	$1,092	13.60%	$1,031
2bd 1bth	$1,287	$1,202	$1,160	$1,125	$1,125	$1,150	$1,206	$1,287	$1,280	28.70%	$1,202
2bd 2bth	$1,496	$1,385	$1,307	$1,291	$1,297	$1,310	$1,401	$1,464	$1,471	23.20%	$1,380
2bd TH	$1,241	$1,220	$1,180	$1,122	$1,096	$1,087	$1,152	$1,229	$1,254	3.30%	$1,176
3bd 2bth	$1,744	$1,661	$1,609	$1,542	$1,507	$1,556	$1,623	$1,699	$1,734	7.00%	$1,631
3bd TH	$1,495	$1,403	$1,507	$1,477	$1,378	$1,385	$1,420	$1,469	$1,490	21.50%	$1,447
Total Units	$1,282	$1,195	$1,130	$1,102	$1,101	$1,123	$1,181	$1,244	$1,251	21.50%	$1,179

Sales of Multifamily Buildings[1]

	2008
Total Transactions	1
Total Dollar Value (in millions)	$7.1
Total Square Feet	39,690
Total Units	68
Median Year Built	1961
Average Squre Footage	3,969
Average Sale Price (in millions)	$7.1
Average Price Per Sq. Ft.	$179
Average CAP Rate	
Average Units	68
Average Price per Unit	$104,411

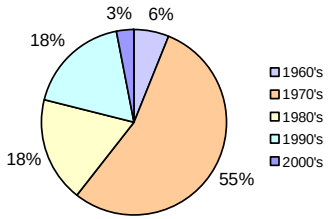
Average Rents/Sq. Ft.

	2006	2007	2008	2009
All	$1.36	$1.44	$1.52	$1.53
Class A	$1.71	$1.79	$1.86	$1.82
Class B	$1.34	$1.43	$1.42	
Class C	$1.34	$1.41	$1.50	$1.51

Average Occupancy

	2006	2007	2008	2009
All	97%	95%	95%	93%
Class A	96%	95%	94%	94%
Class B	97%	96%	97%	
Class C	96%	95%	95%	93%

Age of Existing Inventory



Source: RealFacts. Includes only buildings with more than 50 units

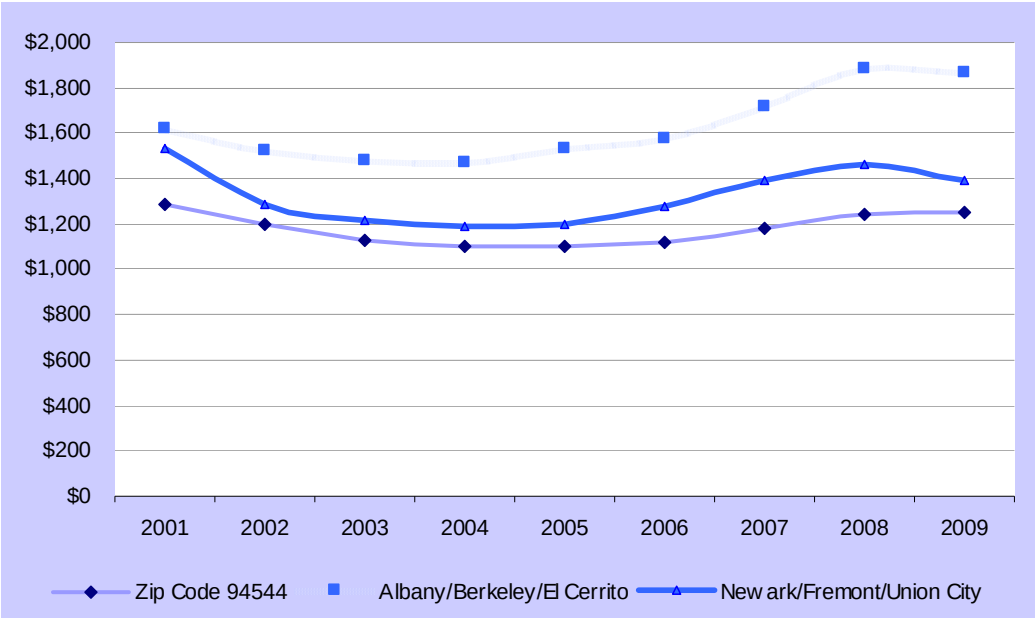
[1] There were not transactions in 2007 and 2008 in the market area

Table V-4 Rent and Occupancy Comparison, 2Q 2009

	Average Rent		Occupancy	
City/Zip Code	$/month	Rank	%	Rank
Emeryville	$1,854	1	95.50%	13
Dublin	$1,635	2	92.60%	4
Oakland	$1,550	3	83.50%	1
Newark	$1,485	4	94.60%	9
Pleasanton	$1,474	5	88.30%	2
Alameda	$1,436	6	93.90%	6
Fremont	$1,375	7	95.20%	12
Livermore	$1,253	8	95.00%	10
Union City	$1,242	10	95.60%	14
Castro Valley	$1,182	11	95.00%	10
Hayward	$1,180	12	94.40%	8
94544	$1,245	9	93.80%	5
94545	$1,131	13	97.30%	15
94542	$1,109	15	97.80%	16
94541	$1,102	16	92.50%	3
San Leandro	$1,114	14	94.10%	7

Source: RealFacts

Figure V-12 Average Apartment Rents, 2001-2009



Source: RealFacts

Figure V-13 Performance of Individual Apartment Complexes, Q2 2009

	Occupancy		Rents	
	%	Yr/Yy Change	$	Yr/Yy Change
FLETCHER TOWERS	96.20%	-1.50%	$1,128	-5.00%
COURTYARD	88.50%	-6.10%	$963	-7.80%
CRESTVIEW TERRACE	93.10%	-2.00%	$1,170	0.00%
DIXON TOWNHOUSE	96.10%	0.00%	$1,298	2.20%
PARAISO GARDEN	100.00%	0.00%	$1,223	4.30%
VILLAS	88.90%	-3.50%	$1,306	1.00%
WHITMAN GREEN	91.00%	-1.10%	$1,225	1.30%
ORCHARD	94.00%	0.00%	$781	0.00%
DORCHESTER HOUSE	94.10%	-4.50%	$1,205	11.80%
MONTELENA APARTMENTS	92.60%	0.70%	$1,523	0.50%
ALPINE	94.70%	0.00%	$1,013	0.00%
BAYWOOD APARTMENTS	88.00%	-10.20%	$1,189	-4.20%
PINNACLE CITY CENTER	96.40%	4.00%	$1,658	0.50%
AMADOR VILLAGE COURT	93.50%	0.60%	$1,462	-11.40%
PEPPER TREE	93.60%	-3.30%	$1,020	2.00%
MISSION BAY CONDOMINUM HOMES	96.20%	-1.80%	$1,475	-0.50%
LUND GARDEN	90.40%	-7.80%	$1,042	-1.30%
SPARTAN ROYAL	92.30%	-4.70%	$1,038	6.00%
WHITMAN VILLA TOWNHOMES	95.20%	-1.70%	$1,375	3.80%
TIKI GARDEN	90.00%	-10.00%	$1,066	5.30%
JACKSON ARMS	97.20%	0.00%	$996	0.00%
AMADOR APARTMENTS	95.10%	-2.90%	$1,194	11.30%
HUNTWOOD TERRACE	97.10%	-1.00%	$1,372	0.40%
MISSION HEIGHTS	91.10%	-6.40%	$1,246	0.60%
CYPRESS HOUSE	98.30%	3.70%	$932	0.00%
ORANGE TREE	96.30%	-1.30%	$1,153	1.50%
ALOHA	97.10%	0.00%	$987	0.00%
AMBERWOOD GARDEN	91.70%	-1.40%	$1,188	9.30%
AUSTIN COMMONS	92.80%	-4.30%	$1,195	2.00%
OAK HILL	93.20%	-2.90%	$1,378	9.70%
PARK ORCHARD	91.00%	-6.50%	$1,299	-0.50%
PARKMEAD	96.00%	-1.50%	$1,090	-2.10%
PINECREST	97.00%	-2.00%	$1,228	1.70%
PALOMAR TERRACE	93.30%	-1.80%	$1,241	-4.80%

Source: Real Facts

Residential Market Summary

The burst of the housing bubble has inflicted great pain on developers, and scared lenders and investors away. As describe above housing prices have declined significantly all across Alameda County. Sellers have lowered prices, but tighter lending continues to make it difficult to close deals. It is expected that the housing market will continue experiencing sluggish growth over the next couple of years. Nevertheless, the fact remains that the Bay Area's housing development has not been able to keep up with demand arising from population growth. Even before the real estate boom of 2003 through 2006, Bay Area home prices have been affected by limited supply and excess demand. Furthermore, as ABAG points out, even during the 1999 to 2006 period, when housing was being built at an unprecedented speed, only 92 percent of the housing units ABAG determined were needed in the region were constructed. In fact, Alameda County experienced the largest gap.[11] Housing permits in Alameda County during this period only accounted for 72 percent of the projected demand. Current market conditions, which will further constrain supply, coupled with projected population growth means that the current surplus housing stock will vanish and prices will again begin to increase.

The recovery is likely to begin in places that have been typically undersupplied and where price declines have not been as dramatic. The inner parts of the Bay Area, such as Alameda County, are the prime candidates to lead the recovery (as opposed to Solano or Contra Costa Counties). In the long run, demand will once again be determined by the traditional factors of supply, demand, job growth, income, and quality of life. All of these factors favor the Project Area.

In the city of Hayward, residential development since the 1990s has favored single family residential developments. Multifamily projects have been limited and they have tended to cluster around downtown. Given current lending practices, the recovery is likely to favor single-family developments. However the reality of land constraints will favor development of multi-family projects. In the long-run, given the strengths of the market area, demand is likely to be strong for ownership units, particularly for well-designed mixed-use projects offering mid-priced (under current prices this means $400,000-$450,000 for townhomes and under $400,000 for condominiums), larger units (2 and 3 bedroom with average sizes of 1,400 to 1,700 square feet).

Proximity to the BART station also presents an excellent opportunity for apartment building construction. With average rents below $1,200, the area remains relatively affordable compared to other areas of the county and it attracts modes-income households. Probably due to the affordability

[11] Association of Bay Area Governments. A Place to Call Home: Housing in the San Francisco Bay Area 2007.

of the area, occupancy remains higher than other markets within Alameda County, such as Union City/Fremont/Newark or Berkeley/Emeryville/Albany. Most of the apartment buildings in the area offer amenities such as swimming pools, spas, clubhouses, and fitness center. Higher end product recently built close to BART stations in Union City and downtown Hayward offers even more, and higher quality, amenities. In order to be competitive, new market rate developments will most likely have to offer similar amenities.

Residential Demand

ERA projected residential demand using household projections by the Association of Bay Area Governments. Residential demand is at the core driven by household growth and by a number of criteria that make some areas more attractive than other for the location of housing. In particular housing demand in any specific area is affected by the quality and safety of neighborhood, school district quality, access to shops and retail services, access to jobs, and lack of negative influences or nuisances, such as traffic, air pollution, noise, etc. Constructing an econometric model that takes all those inputs into account is beyond the scope of this analysis. Instead ERA relies on ABAG's household projections and makes, assumptions based on our professional experience, about the characteristics of the housing market in Hayward. In particular ERA's demand model assumes:

- Following countywide patterns, and due to the decreasing available supply of undeveloped land in the county, the share of single-family housing as a percentage of total new construction Hayward will continue to decline. As of 2008, approximately 53 percent of the housing stock was composed of single family homes. Between 1990 and 2008 approximately 74 percent of building permits issued in Hayward were for single family homes. According to the 'residential sites inventory' of Haywards' General Plan, approximately 55 percent housing units that could be developed are low-density, single-family homes.

- Housing vacancy is assumed to be three percent. The draft housing element and ESRI Business Analyst estimate a low vacancy rate.

- Citywide, the percentage of owner-occupied units will increase slightly, but will remain the range of 55-60 percent.

ERA's demand model shows that new household growth in the City of Hayward will generate demand for approximately 8,900 new units between 2010 and 2030. See **Table V-5**. Of this total, about 5,700 will be single-family units, and another 3,170 units will be multi-family units.

Residential Demand with the Primary Market Area

The PMA currently accounts for approximately 15 percent of the City's housing stock. Based upon all factors covered in this market analysis, ERA estimates that the PMA could support demand for between 1,300 and 1,600 residential units over the next 20 years. Below market rate units should be considered addition to this market demand forecast.

Table V-5 Housing Demand Projections 2010-2030

Growth in Households by Type	2010	2015	2020	2025	2030	Total Growth 2010-2020
Total Hayward Households	47,300	49,280	51,390	53,610	55,920	
Incremental Households		1,980	2,110	2,220	2,310	8,620
Total Housing Units	48,763	50,804	52,979	55,268	57,649	
Vacancy Rate at Equilibrium	3%	3%	3%	3%	3%	
Occupied Units	47,300	49,280	51,390	53,610	55,920	
% Owner Households	55%	56%	57%	58%	59%	
% Renter Households	45%	44%	43%	42%	41%	
% Single Family	53%	54%	54%	54%	54%	
% Multifamily	47%	46%	46%	46%	46%	

New Housing Units by Type	2010-2015	2016-20	2021-25	2026-30	2010-30
Incremental Housing Units					
Single Family Units (%)	74%	70%	60%	55%	
Multifamily Units (%)	26%	30%	40%	45%	
Single Family Units	1,511	1,523	1,373	1,310	5,716
Multifamily Units	531	653	915	1,072	3,170
Ownership Units (%)	85%	84%	82%	81%	
Rental Units (%)	15%	16%	18%	19%	
Ownership Units	1,731	1,827	1,877	1,929	7,364
Rental Units	310	348	412	452	1,523
Total New Housing Units	***2,041***	***2,175***	***2,289***	***2,381***	**8,887**

Primary Market Area Projected Demand	2010-2015	2016-20	2021-25	2026-30	2010-30
Primary Market Area Capture Rate					
Low	15%	15%	15%	15%	
High	18%	18%	18%	18%	
Projected Primary Market Area Demand					
Low	306	326	343	357	1,333
High	367	392	412	429	1,600

Source: ABAG, ESRI Business Analyst, ERA

VI. Land Values

An appropriate valuation of any parcel requires taking into consideration the endogenous and exogenous factors of such parcel. In addition to its location, size, shape, and other physical attributes, raw land prices are determined by how much revenue a piece of land would generate if it were developed at its most profitable use, less any development costs. The value of a particular site, therefore, lies in the potential for redevelopment as a mixed-use, residential, retail, hospitality, office, and/or recreational use. Given the heterogeneity of the parcels within the Project Area as well as the large number of properties, rather than focusing on particular parcels, ERA has examined recent sales transactions to estimate land values within the Project Area. ERA examined sales transaction within a two-mile radius of the intersection of Mission Boulevard and Tennyson Road dating back to January 2008 through July 2009. We also examined properties currently on the market.

The observed land values are detailed in **Table VI-1** and summarized as follows:

Improved Land

- Retail (freestanding): $60-$70 per square foot of land; $400-550 per square foot of RBA
- Auto Dealers: $30-$40 per square foot of land; $100-200 per square foot of RBA
- Apartment Buildings: $60-100 per square foot of land; $120-200 per square foot of RBA
- R&D: $40-50 per square foot of land: $100-110 per square foot of RBA
- Warehousing/Industrial: $20-30 per square foot of land; $50-70 per square foot of RBA

Unimproved Land

- Intended for mixed-use: $40-50 per square foot of land

Table VI-1 Sales Transactions within Two Miles of Mission Boulevard and Tennyson Road: Jan 2008 to Jul 2009

Property Description	Date of Sale	Bldg. Area (SF)	Land Area (SF)	Sales Price	Sales Price per SF Bldg Area	Sales Price per SF Land Area	Distance[1]	Comments
Retail/Commercial								
Auto Dealership	9/10/2008	43,764	322,779	$9,750,000	$222.79	$30.21	2 miles	None
Supermarket	6/13/2008	7,956	34,848	$1,680,000	$211.16	$48.21	0.5 miles	None
Store Front Retail/Residential	2/29/2008	7,956	17,397	$1,600,000	$201.11	$91.97	1.5 miles	Sale Leaseback
Commercial	7/2/2009		59,241	$1,575,000		$26.59	2 miles	None
Car Wash	5/5/2008	1,833	16,500	$1,000,000	$545.55	$60.61	1.5 miles	None
Supermarket	1/23/2008	3,520	12,937	$900,000	$255.68	$69.57	1.5 miles	None
Convenience Store	1/29/2008	2,000	12,893	$825,000	$412.50	$63.99	0.5 miles	None
Auto Repair	12/18/2008	2,000	12,893	$879,051	$439.53	$68.18	2 miles	Business Value Included
Residential								
Apartment Units	8/22/2008	14,814	26,048	$2,350,000	$158.63	$90.22	0.5 miles	Built 1992
Apartment Units	4/8/2009	15,930	18,295	$2,200,000	$138.10	$120.25	1 mile	Built 1961
Apartment Units	6/3/2008	17,890	31,363	$2,150,000	$120.18	$68.55	1.5 miles	Built 1964
Industrial								
R&D	6/23/2008	65,267	175,111	$7,100,000	$108.78	$40.55	2 miles	None
Wharehouse	6/2/2009	65,267	175,111	$3,500,000	$53.63	$19.99	1.5 miles	None
Light Manufacturing	2/29/2008	28,610	60,112	$2,886,000	$100.87	$48.01	2 miles	None
Industrial	6/26/2009	35,400	82,764	$2,500,000	$70.62	$30.21	2 miles	None

[1] Distance from Mission Boulevard and Tennyson Road Intersection

Source: CoStar Comps, ERA

Table VI-2 Properties for Sale within Two Miles of Mission Boulevard and Tennyson Road: August 2009

Property Description	Bldg. Area (SF)	Land Area (SF)	Asking Price	Sales Price per SF Bldg Area	Sales Price per SF Land Area	Location	Comments
Retail/Commercial							
Restaurant	2,632	12,632	$1,250,000	$474.92	$98.96	26712 Gading Rd.	18 car parking. Close to freeway.
Car Dealership	27,100	124,582	$3,595,000	$132.66	$28.86	25715 Mission Blvd.	Built 1984. 180 surface spaces available.
Car Dealership	39,146	87,556	$3,000,000	$76.64	$34.26	25803-25891 Mission Blvd.	Built 1960. Remodeled within last ten years.
Residential							
18 Unit Apartment Building	15,816	25,134	$2,275,000	$143.84	$90.51	27033 Belvedere Ct.	Built in 1964; Avg. Unit Size is 850 sq. ft.; pakrin
35 Unit Apartment Building	34,571	40,990	$4,287,500	$124.02	$104.60	548-560 Garin Ave.	Built in 1966; Avg. unit size is 875
30 Unit Apartment Building	17,340	56,998	$3,600,000	$207.61	$63.16	399 Schafer Rd.	Built in 1962;
Land							
Single family development project		94,647	$3,000,000		$31.70	27629-27801 Dobbel Ave.	Rough graded, irregular lots
Mixed-used apartment retail project		82,764	$3,900,000		$47.12	28000 Mission Blvd.	Entitled for 82 unit mixed-use project and 13,500 sq. ft. (six spaces) of retail space
Mixed-used apartment retail project		15,246	$598,000		$39.22	300090 Mission Blvd.	
Industrial							
Class C Contractor Storage Yard	62,000	96,268	$2,500,000	$40.32	$25.97	645-687 Olympic Ave.	

Source: CoStar, ERA